



PHD

## Corporate responses to management consultancy procurement

Tallis, Deborah

*Award date:*  
2008

*Awarding institution:*  
University of Bath

[Link to publication](#)

## Alternative formats

If you require this document in an alternative format, please contact:  
[openaccess@bath.ac.uk](mailto:openaccess@bath.ac.uk)

Copyright of this thesis rests with the author. Access is subject to the above licence, if given. If no licence is specified above, original content in this thesis is licensed under the terms of the Creative Commons Attribution-NonCommercial 4.0 International (CC BY-NC-ND 4.0) Licence (<https://creativecommons.org/licenses/by-nc-nd/4.0/>). Any third-party copyright material present remains the property of its respective owner(s) and is licensed under its existing terms.

### Take down policy

If you consider content within Bath's Research Portal to be in breach of UK law, please contact: [openaccess@bath.ac.uk](mailto:openaccess@bath.ac.uk) with the details. Your claim will be investigated and, where appropriate, the item will be removed from public view as soon as possible.

# **Corporate Responses to Management Consultancy Procurement**

Deborah Claire Tallis

A thesis submitted for the degree of Doctor of Philosophy

University of Bath

Department of Management

January 2008

## **COPYRIGHT**

Attention is drawn to the fact that copyright of this thesis rests with its author. This copy of the thesis has been supplied on condition that anyone who consults it is understood to recognise that its copyright rests with its author and that no quotation from the thesis and no information derived from it may be published without the prior written consent of the author.

This thesis may not be consulted, photocopied or lent to other libraries without the permission of the author for three years from the date of acceptance of the thesis.

## CONTENTS

CHAPTER	TITLE	PAGE
	Acknowledgements	4
	Summary	5
Chapter One	Introduction	6
Chapter Two	Service Characteristics and Consultancy Literature	16
Chapter Three	Subjective Value Choice	55
Chapter Four	Approaches to Sourcing	69
Chapter Five	Literature Analysis	101
Chapter Six	Research Questions	110
Chapter Seven	Methodology	114
Chapter Eight	Research Data – Interviews	137
Chapter Nine	Research Analysis – Interviews	189
Chapter Ten	Research Data – Extended Observation	211
Chapter Eleven	Research Analysis – Interviews and Extended Observation	234
Chapter Twelve	Conclusions	251
<b>APPENDICES</b>		
Appendix One	Bibliography	268

## TABLES

<b>TABLE</b>	<b>TITLE</b>	<b>PAGE</b>
1.1	Features of Procurement at Integrative Stage of Development	9
1.2	Examples of Objective and Subjective Value Constructs	11
2.1	Characteristics of Fluid and Rigid Processes	22
2.2	Service Types	23
2.3	Motivation for Consultancy Use	45
4.1	Features of ACR-OCR Patterns	89
4.2	Partnerships Versus Adversarial Relationships	93
4.3	Features of Adversarial and Collaborative Relationships	94
7.1	Distinctions between Quantitative and Qualitative Research	118
10.1	Decision Criteria for Consultancy Selection	213
10.2	Timetable of Events for Consultancy Selection	215

## FIGURES

<b>FIGURES</b>	<b>TITLE</b>	<b>PAGE</b>
2.1	Goods, Services and Intermediate Forms	21
4.1	Supplier Selection	72
4.2	Purchasing Process (adapted)	73
4.3	Portfolio Analysis Using Mutual Exchange of Specific Investments	97
4.4	Portfolio Analysis Using Value and Risk Criteria	98
7.1	A Scheme for Analysing Assumptions about the Nature of Social Science	115
7.2	Variations in Research Designs (adapted)	118
7.3	Conceptual Map for Answers to 'What is a Case?'	122
9.1	Framework Showing Consultancy Operating at Different Levels	201
11.1	Rational Procurement Model	241
11.2	Definition of Value in Strategic Consultancy	243
13.1	The Relationship between Consultancy Category and Value Construct	253

## **ACKNOWLEDGEMENTS**

I am extremely grateful to the following people whose generous help and support enabled me to complete this piece of work.

Professor Richard Lamming supervised initially and provided invaluable direction.

Sincere and heartfelt thanks to Professor Christine Harland and Dr Nigel Caldwell. Their wisdom, guidance and encouragement put me on track and kept me going through the most difficult patches.

In the workplace, my line management have shown unstinting enthusiasm for the project which has been truly gratifying.

Finally, everyone I have encountered at CRiSPS has been welcoming, encouraging and helpful. I have thoroughly enjoyed the sense of community and the opportunity to study there.

## SUMMARY

This study examines the variance in methodologies employed by executives and Procurement professionals to engage management consultancy services. The exclusion of Procurement from specific categories of consultancy expenditure is then viewed in the context of its aspirations to be a strategic function. The conclusion drawn is that such aspirations are flawed.

Literature in the areas of services marketing, consultancy, value choice, and sourcing are examined. It is noted that the services and consultancy literature refers to the subjective approach of the individual to assess value. In addition, literature that stresses the role of individual contingency in value choices concludes that individuals will not necessarily refer to price when making such assessments. In contrast, the sourcing literature adopts objective organisational approaches to value. This dissonance is reflected in the research data which concludes that senior executives procuring strategy consultancy or ‘coaching’ services tend to use subjective value constructs to make selection decisions. This situation is problematic for procurement professionals who refer almost exclusively to objective value constructs that are specifically designed to produce benefits at an organisational level. This situation makes unlikely the full integration of procurement at a strategic level within the organisation.

The choice of a subjective approach to the research using ideographic methodology produced rich and complex data. Semi-structured interviews with senior executives and an extended observation of a consultancy engagement were used. Access of this nature would normally be problematic due to the time constraints under which executives work and the sensitivity of the material. A rare opportunity, however, was presented by the status of the researcher as employee and this was exploited to gain privileged insights into executive behaviour.

## **CHAPTER ONE**

### **INTRODUCTION**

This chapter frames the study by establishing the central problem of management consultancy procurement from three different perspectives: the issues for a practitioner; the academic problem; and the methodological challenge. The following contextual background assists in this framing by describing the organisation within which the study took place and the recent history of its Procurement function.

This study is based upon the following data: twenty-seven interviews with senior executives set out in Chapter Eight and analysed in Chapters Nine and Eleven; and an extended observation of a consultancy engagement set out in Chapter Ten and analysed in Chapter Eleven. The totality of this research was conducted within a single organisation at which the researcher was employed within the Procurement Department. This organisation is large and operates within the services sector. It employs approximately sixty thousand people around the world and has evolved rapidly over the last twenty years mainly through merger and acquisition.

The Procurement department within the UK was originally established in 1986 in one of the two main group companies that existed at that time. It spread into the other company in 1992 and, at that time, comprised two 'buyers' and a manager. Both departments operated completely separately until 1996 when they merged. A further corporate merger in 1998 added a third procurement team. Since then, the organisation has been striving to create a single culture and there is now (in 2008) a global Procurement function with a remit to operate across the entire organisation. The reporting line goes directly from the Chief Procurement Officer to the Chief Administrative Officer at Head Office giving Procurement very high levels of visibility. In this context, the practical problems presented by management consultancy for the Procurement practitioners within the organisation are discussed below in greater detail.

The research was conceived in 1998 and 1999 when the department was still in the early stages of working together. Departmental visibility was not as high as it is now and the ability to act globally was still some years away. The extremely large amounts of money being spent on consultancy, together with the apparently uncontrolled nature of such spend, had long been an issue for Procurement. Virtually all attempts at becoming involved in such projects and influencing the outcomes had, however, been unsuccessful. Procurement was consistently excluded from consultancy engagements because executives preferred to manage them alone. There was no such difficulty in becoming involved in the 'routine' projects around buying stationery or office cleaning, but management consultancy projects were notoriously sensitive. The situation was little improved in 2004 when the extended observation was undertaken.

Executives simply did not tell the Procurement department that they intended to use consultancy services. On the very rare occasions when Procurement secured its own involvement, it was often specifically told not to 'upset' the consultants. In any case, the consultants knew they had secured the business and in most cases had actually started work. The little negotiation that took place was therefore with an incumbent supplier and not in a competitive situation making it even harder to effect change. There was limited, if any, success in lowering fees and Procurement's role was usually restricted to negotiation over contractual terms, usually with a small return for extensive effort.

Management consultancy services were therefore extremely problematic for the Procurement department within the chosen organisation. The objectives by which Procurement performance was measured were largely based around cost savings and achieving greater value through negotiation. These objectives were agreed by the business and Procurement was therefore very clear about the benefits it needed to deliver. These were to either reduce the cost of the services or secure more services for the same amount of money. At the same time the commercial position of the organisation had to be protected by robust contractual terms. Very few of these benefits, however, were being achieved in the category of management consultancy.



The scale of the expenditure was extremely significant and this magnified the problem. Of even more concern was the inability of Procurement to see the value that these services delivered to the organisation, coupled with a degree of cynicism about the motivation of consultants themselves and their relationships with executives. There was a belief that consultants have a vested interest in preserving a one-to-one relationship with individual executives that excludes the Procurement department. In this situation they have a much greater opportunity to manipulate the definition of value because it is based on one individual's subjective value choices. This individual – the executive – is then able to define value for an entire organisation. While the consultant retains access to a full range of support functions, the executive client remains isolated from the rest of his or her own organisation – in particular, the Procurement department. The organisation is therefore never able to formulate an appropriate response to consultancy procurement.

This perception of the situation fuelled the concern of Procurement that the organisation was vulnerable. Conducting this research was an opportunity for Procurement to gain a greater understanding of these services and, in particular, study executive motivation for engaging consultants. In this way, it was hoped that improvements could be made to the way that consultancy was managed by Procurement.

These, then, were the difficulties facing practitioners. Procurement of management consultancy is also, however, problematic in an academic context.

Reck and Long (1988) describe the development of Procurement functions through four stages: Passive; Independent; Supportive; and Integrative. Within this typology, the pinnacle of development for procurement is the Integrative stage because at this stage, Procurement has become truly strategic. Reaching this stage means that Procurement's role within the organisation has the following features.

Stage Variable	Integrative
Nature of long-range planning	Integral part of strategy
Impetus for change	Integrative management
Career advancement	Unlimited
Evaluation based on	Strategic contribution
Organisational visibility	High
Computer system focus	Needs of decision-makers
Source of new ideas	Cross-functional information exchange
Basis of supplier evaluation	Strategic contributions
Attitude towards supplier	Mutual independence
Professional development focus	Cross-functional understanding
Overall characterisation	Strategic behaviour

**TABLE 1.1**  
**FEATURES OF PROCUREMENT AT INTEGRATIVE STAGE OF DEVELOPMENT**  
Source: Reck & Long (1988) 'Purchasing: A competitive Weapon' *Journal of Purchasing and Materials Management* (24) 3: 2-8

The full integration of Procurement within the organisation at a strategic level is also viewed as an ideal by other writers. Christopher (1992) stresses the importance of the integration of procurement strategy within the organisation in the context of logistics.

These approaches, however, make fundamental assumptions about integration and collaboration that draw on a rich heritage of research in the manufacturing sector. The goals of integration that are being studied in such research provide value to the organisation in ways that can be objectively quantified. For example, value transparency (Lamming *et al* 2001a, Hultman and Axelsson 2004) as discussed in Chapter Four focuses on the development of close buyer-supplier relationships. Such long-term supplier relationships aim to improve risk management and utilise suppliers as sources of knowledge, skills, expertise and innovation. These are ways to manage trading relationships in a context where uninterrupted supply of physical materials and investment in new technology are

vitality important considerations. The full integration of Procurement at a strategic level in order to achieve these goals seems a logical and natural goal.

These approaches therefore assume that executives will actively support the full integration of Procurement within the organisation to influence all categories of expenditure. This may not, necessarily, always be the case because different considerations apply to the purchase of management consultancy. The subjectivity that underpins the decision to use consultants initially, the subsequent selection criteria employed and assessments of value, do not motivate executives to develop an integrative approach towards Procurement for this category of services. Integration may be welcomed by executives for every other category of spend but, for management consultancy, executives often prefer to act alone without support from Procurement.

The tendency of the literature in Chapter Four to draw on manufacturing-based data may explain why it makes a fundamental assumption that integration and collaboration is a common goal in all categories of corporate expenditure. It does, however, also raise the question whether Procurement can ever be fully involved in all categories of spend and therefore whether it can ever be a truly strategic function. Executives tend to procure management consultancy in a different way to procurement professionals because of a fundamental variance in their underlying value constructs. The roots of the differences in these procurement methodologies run deep because executives and Procurement departments play to different audiences: executives interact on a personal level with other executives and this is a hinterland that Procurement does not enter. The concept of a hinterland is used here to mean the different accountabilities of executives and the intensely political context within which they operate. It is referred to again in Chapter Twelve, Conclusions.

Variances in underlying value constructs are reflected in the different criteria that Procurement professionals and executives tend to use when engaging management consultants. In any purchase, decision-making will be influenced by a mix of subjective and objective criteria and no instance will ever be

completely one or the other. When management consultants are engaged, however, the criteria are skewed in subtle ways. Executives may tend toward more subjective criteria while Procurement professionals may tend towards more objective criteria. Examples of these different types of criteria are set out in Table 1.2 below.

<b>SUBJECTIVE CRITERIA</b>	<b>OBJECTIVE CRITERIA</b>
'Chemistry'	Cost
Reassurance	Skills transfer
Validation	Lack of resource
Managing internal politics	Time constraints

**TABLE 1.2**  
**EXAMPLES OF OBJECTIVE AND SUBJECTIVE VALUE CONSTRUCTS**

Procurement methodologies tend to be objective in the sense that their goals can be clearly linked to rational benefits for the organisation, such as lower costs or contracts that manage commercial risk. This is reflected in the cost-reduction objectives by which the procurement function in the subject company was measured. Although executive decision-making may also include these elements, for particular categories of management consultancy they may be overshadowed by subjective criteria that are personal to individual executives. Subjective value choice therefore becomes extremely important. In particular, the political motivation underlying consultancy use is discussed in Chapter Two.

Because of its central importance to this study, the nature of subjective value choice is discussed in Chapter Three and this chapter develops a pluralistic view of subjective decision-making that encapsulates the contingency of individual selves. The importance of this contingency lies in the way it influences the procurement of management consultancy by executives. It is pivotal to drawing out the differences in the way executives and procurement professionals approach consultancy. Whereas Procurement professionals develop relationships with suppliers that are on an organisational level, executives can, and sometimes do, develop relationships with consultants that are on an individual one-to-one

basis. This has an effect on the way that value is assessed and the nature of subjectivity must be considered to fully understand the implications of such relationships.

Research into management consultancy also presents considerable methodological challenges for reasons of access and sensitivity of the data. These challenges are discussed in Chapter Seven where the text changes to first person to reflect the close involvement of the researcher in data gathering.

Executives work under a great deal of pressure and securing time with them individually is very difficult. This situation immediately makes some research techniques, such as focus groups, impossible to implement simply because of the practical difficulties. It would be extremely difficult to obtain commitment from a group of executives to the same time and location purely for the purpose of research that may not directly benefit them. Interviews are therefore a good data-collection technique in this situation, although the length of the time commitment can also be problematic. Thirty to forty minute appointments were possible for this study, but requests for any longer than this would have been difficult because of the pressure on executives from other commitments.

The interview data is supplemented by an extended observation of a project to engage a consultancy firm to perform an extremely important piece of organisational design work. The researcher was part of the project team and this data provides insights into the way that procurement processes function in the context of management consultancy. The interview data represents an executive viewpoint and the observation therefore provides a different perspective. In this sense, it acts to triangulate the data.

The topic of management consultancy is extremely sensitive because of its cost, the relationships that are seen to develop and, sometimes, the intangible nature of the value it delivers. Indeed the sensitive nature of the data caused considerable concern to the researcher who felt compelled to take great care in concealing the

identity of the subject company as well as restricting access for three years from completion.

The problems of access and sensitivity would have made it difficult for an outsider to gather the research data. These problems were overcome in the case of this study by the status of the researcher as an insider, that is, an employee of the organisation who was known personally to some of the executives who participated. This meant that executives were more willing to allocate time and discuss sensitive issues. The research would not have benefited them personally and so it was a 'favour' to the researcher to commit valuable time and share their thoughts and experiences. The candid nature of some of the disclosures were astonishing and it is difficult to imagine this level of comfort with an outsider and, therefore, the same level of disclosure.

In summary, then, management consultancy is a complex and problematic category of services using three perspectives: that of the practitioner and the academic, as well as the methodological. These difficulties provoke differing responses from within the organisation, both on an organisational and an individual level, which has implications for the strategic ambitions of the procurement function.

Firstly, the research was prompted by the problems encountered by the researcher as a procurement practitioner. These problems were low levels of involvement in the procurement process and difficulty understanding the value that such services were delivering to the organisation.

Secondly, from an academic perspective, the unwillingness of executives to fully involve Procurement in strategic decisions surrounding the use, selection and management of some classes of consultants has profound implications. It casts doubt on the possibility that Procurement can ever become a truly strategic function using the integrative definitions derived from research based in the manufacturing sector.

Thirdly, the difficulty in gaining access to executives for data gathering purposes would normally make it problematic to conduct this kind of research. The researcher's insider status was a rare opportunity to gain access to such data.

This study addresses these issues by examining literature relating to services, management consultancy, subjective value choice and sourcing. It then uses interview and observation techniques to directly confront executive procurement of management consultancy. This is set out below in more detail.

In Chapter Two, services marketing literature based on research in a mass market consumer context is examined. Literature that specifically addresses management consultancy is also discussed. Both these areas concentrate on the subjective value choices of individuals. The literature relating to sourcing in Chapter Four, however, assumes a high-level relationship between organisations and decision-making that is based on objective considerations of the best commercial benefits for the organisation. This distinction between objective and subjective is applied to the procurement of management consultancy to expose the different levels of value judgements that tend to be used by executives and Procurement professionals.

The mix of subjectivity and objectivity seen in both procurement methodology and executive use of consultancy implies differing internal responses to the procurement of management consultancy. The Procurement department of the subject company wished to become involved in such activity but was excluded by executives. This central dilemma gives rise to the research questions in Chapter Six. These address the way that executives buy management consultancy, the role of objective procurement processes in such procurement, and whether there is any compatibility between the two. The research questions also address the wider implications of the research for the status of procurement as a strategic function.

The data was collected using twenty-seven semi-structured interviews with individual executives that concentrate on isolating the reasons they engage

consultants and the methods they use to engage them. This is triangulated by an extended observation of a consultancy engagement in which the researcher was a participant. This methodology was highly dependent on the insider status of the researcher to overcome the problems of access to senior executives.

Throughout the study the terms 'risk' and 'uncertainty' are used. Uncertainty refers to the situation created by external factors and risk refers to the degree of severity with which such uncertainty is viewed by those within the organisation.



## **CHAPTER TWO**

### **SERVICE CHARACTERISTICS AND CONSULTANCY LITERATURE**

#### **Introduction**

This chapter begins with a brief discussion of the services marketing literature. This is intended to establish its utility in revealing the nature of complex services such as management consultancy and the way that clients evaluate such services. In particular it seeks to address the question of how identified characteristics of services might affect the procurement of management consultancy.

The services marketing section therefore briefly outlines those characteristics of services that distinguish them from goods and which are firmly established in the literature. The current challenge to the dominant paradigm in the form of a 'Service-Dominant Logic' is also highlighted. This generalised discussion of services leads to a more focussed examination of professional services and consultancy.

The fluidity of service processes, and the difficulty of assessing quality in professional services, has profound implications for the procurement of management consultancy because, in theory, it forces clients to rely on a mixture of dramaturgy and personal relationships. To explore this in greater depth, literature that views consultancy as the art of impression management is then discussed and this then leads to a wider review of consultancy literature.

This literature can be divided into two schools of thought: those writers who are critical of consultants and, conversely, those who regard them as positive agents. Firstly, the way that the critical literature constructs the notion of managerial passivity is developed. This is exacerbated by the imperfect market and the associated asymmetry of information that characterises the procurement of management consultancy. Such an imperfect market presents significant risk to clients and, in particular, the ambiguous nature of claims to professionalism

made by management consultants is assessed. Faced with this situation, the reliance placed by clients on the strong brand of a consultancy firm to signal legitimacy becomes particularly important.

Finally, literature that opposes the critical view of consultancy is discussed. In this view, managers are not seen as passive and the political role of consultants within organisations is stressed. Clients are seen as pro-active users of consultants who manipulate the values of objectivity and rationality associated with consultants to suit their own purposes.

### **(i) Characteristics and Classifications of Services**

By stressing the differences between services and manufacturing, some writers have identified distinctive characteristics of services. These characteristics are defined in negative terms of what manufacturing is not (Araujo and Spring 2006) and their relevance is currently being challenged. Within the service category itself, however, professional services are identified as having unique characteristics that are distinct from those of 'mass' services. This distinction is made explicit now for two reasons: firstly, so that the discussion can more usefully focus on the category of professional services that includes consultancy, and secondly so that the distinctive characteristics of professional services can be identified.

Parasuraman, Zeithaml and Berry (1990) draw the following general distinctions between goods and services based on their research within mass consumer services.

- Firstly, services are basically intangible so uniform quality standards cannot easily be set.
- Secondly, services, especially those with a high labour content, are heterogeneous.

- Thirdly, the production and consumption of many services are inseparable.

These distinctions together with a fourth, perishability, have been abbreviated to the 'IHIP' characteristics of services (Araujo and Spring 2006, Lovelock and Gummesson 2004, Vargo and Lusch 2004):

**I**ntangible

**H**eterogeneous

**I**nseparable

**P**erishable

Earlier writers had already noted a blurring of the distinction between goods and services. Wikstrom *et al* (1994) for example observed that there had been a move away from value chains to 'value stars' and that 'today it is offerings rather than companies which compete with one another on the market' (Wikstrom *et al* 1994 p.33). Dissatisfaction with the static boundary between goods and services has recently been voiced by a number of others specifically in relation to the IHIP characteristics and with more fundamental implications.

By examining the content of widely used marketing textbooks, Lovelock and Gummesson (2004) conclude that the IHIP characteristics have become the paradigm (Kuhn 1962) for distinguishing goods from services. They argue, however, that this is a paradigm in crisis because major changes in the service sector, coupled with the use of technology, result in IHIP no longer being an efficient differentiator between goods and services. For example, performances may be recorded in media capable of replay thereby becoming durable and replicable. Instead, Lovelock and Gummesson (2004) offer non-ownership as the potential basis for a new paradigm, calling it the 'rental/access paradigm'.

Araujo and Spring (2006) also regard the search for essentialist differences between goods and services as 'misguided' and, instead, identify producer-user

interactions and the institutional nature of production as being the significant indicators of either products or services.

Vargo and Lusch (2004) add that the IHIP characteristics are built on a manufacturing-based model that is inappropriate for services. They define service as ‘the application of specialised competences (skills and knowledge), through deeds, processes, and performances for the benefit of another entity or the entity itself (self service)’ (Vargo and Lusch 2004 p.326). This definition seems very logical and fitting for most services including consultancy but, more controversially, they advocate searching for the relationship between goods and services rather than the differentiators. They broadly call this effort a ‘service-dominant logic’ for marketing (Lusch and Vargo 2006)

‘Manufacturing *is* a service, and its output is part of the service-provision process. Goods therefore are best thought of as appliances, which derive their value from their ability to provide service....’  
(Vargo and Lusch 2004 p. 334)

Araujo and Spring (2006) also argue that services are becoming increasingly important within manufacturing. This call for a new definition of services implies, however, a greater degree of change for manufacturing than it does for services themselves. Also, its importance lies in accurately defining the service firm and therefore ensuring that its operations are managed appropriately. The concern of this section of the chapter is to establish the characteristics that will aid an understanding of professional services and, in particular, consultancy. Other areas of literature provide greater assistance in this regard and these are discussed below. In addition, literature specifically addressing consultancy and knowledge services specifically refers to its intangibility and heterogeneity (Alvesson 1993; Clark 1995; Mitchell *et al* 2003; Gluckler and Armbruster 2003). These are therefore still treated as valid characteristics of such services.

Axelsson and Wynstra (2002) also stress the similarities between goods and services and stress that both can be seen as ‘products’ comprising core product,

basic product and augmented product. The core product is the core benefit of the good or service. The basic product comprises all the elements surrounding the core product, such as design, customer service, installation, quality and packaging. Most importantly, augmented product consists of ‘meta-value’ which has significant implications for the examination of management consultancy.

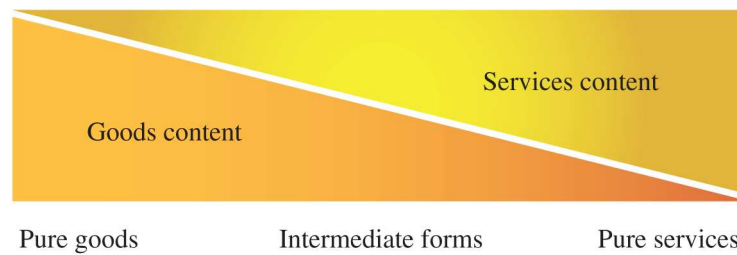
‘(Meta value)..ie the values that go with a brand or company name without being specifically connected to a tangible function. The brand and the “promise” it makes are also part of the product. This has to do with image and reliability’ (Axelsson and Wynstra 2002 p. 12)

This is illustrated by the example of the management consultancy, McKinsey & Co. McKinsey, according to Axelsson and Wynstra, charges for its meta-value.

‘In a truly uncertain situation, the customer can rely on “this is what McKinsey has come up with” which is definitely a stronger argument (or signal) that “this is what consultancy x has found”’. (Axelsson and Wynstra 2002 p13)

The implications of meta value has profound importance for the purchase of management consultancy and this is discussed in the last section of this chapter in the context of the political use of consultants by managers.

Most products, according to Axelsson and Wynstra, contain elements of both goods and services and they illustrate this as a continuum which, usefully, allows a distinction to be made between pure goods and pure services.



**Figure 2.1**  
**GOODS, SERVICES AND INTERMEDIATE FORMS**  
 Axelsson, B and Wynstra, F (2002) *Buying Business Services* Chichester: John Wiley p.13

The product that a McKinsey customer buys for example is likely to be intangible advice, analysis and recommendations and can therefore be placed at the ‘pure services’ end of the continuum.

Axelsson and Wynstra (2002) also develop classifications based on type of service provider. They identify Routine Service Providers (RSP’s) and Professional Service Providers (PSP’s). Normann and Ramirez (1993) use the terminology ‘relieving’ and ‘enabling’ services for a similar classification.

RSP’s are characterised by the ability to solve relatively simple problems. The buying firm knows its needs and what it takes to fulfil them. It could perform the service itself but chooses to use a third party supplier. PSP’s, by contrast, are characterised by the ability to solve complex problems. Each separate transaction is substantial and involves considerable creativity in direct contacts with the supplier. Co-production of value is therefore a significant factor.

Classifications of services that usefully identify characteristics of professional services have also been made by other writers. Wemmerlov (1990) describes service in terms of process and identifies rigid and fluid service processes. These have the following characteristics.

Rigid service processes	Low level of task variety Requires low level of technical skills Low level of information exchange Service worker makes few judgmental decisions Volume is usually high Workflow uncertainty usually low Process can involve several customers/objects simultaneously Response time to customer initiated service response is low
Fluid service processes	Requires high level of technical skills Large amount of information needs to be exchanged Process is not well defined and service worker usually makes judgmental decisions Volume is low Workflow uncertainty can be high Process only involves one customer at a time Response time is usually long

**TABLE 2.1**  
**CHARACTERISTICS OF FLUID AND RIGID PROCESSES**  
 Wemmerlov, U. (1990) 'A Taxonomy for Service Processes and its Implications for System Design' *International Journal of Service Industry Management* Vol. 1 No. 3 pp. 20 – 40.

Rigid processes dominate in routine customer service organisations and tend to produce standardised services.

Fluid processes dominate professional services. They tend to produce customised services and are much less amenable to mechanisation or automation. According to Hausman (2003), professional services differ from other services due to firstly the extended and intimate exchange involvement and secondly client involvement in producing successful outcomes. In addition, professional services are complex and each client situation may lead to a degree of customisation. As already highlighted by Axelsson and Wynstra (2002) this indicates an important role for the customer in services that has also been addressed earlier in the services literature (LaPierre 1997; Edvardsson 1998; Normann and Ramirez 1993).

Silvestro *et al* (1992) and Silvestro (1999) develop a classification of service processes based on volume of customers processed. They observed that, as the number of customers processed by a typical unit per day increases, the general trend seems to be:

- The focus moves from a people to an equipment orientation;
- The length of contract time moves from high to low;
- The degree of customisation moves from high to low;
- The level of employee discretion moves from high to low;
- Value-added moves from front office to back office;
- The focus moves from a process to a product orientation.

This leads to the conclusion that there are three service types: professional, service shop and mass services.

Professional Services	Organisations with relatively few transactions. Services are highly customised, process-oriented, with relatively long contact time. Most value is added in the front office where considerable judgement is applied in meeting customer needs.
Mass services	Organisations where there are many customer transactions, involving limited contact time and little customisation. The offering is predominantly product-oriented with most value being added in the back office and little judgement applied by the front office staff.
Service shops	A categorisation which falls between professional and mass services with the levels of the classification dimensions falling between the other two extremes.

**TABLE 2.2**  
**SERVICE TYPES**

Silvestro, R., Fitzgerald, L., Johnston, R., Voss, C. (1992) 'Towards a Classification of Service Processes' *International Journal of Service Industry Management* Vol. 3 No. 3 pp.62-75

Silvestro, R., Johnston, R., Fitzgerald, L., Voss, C. (1990) 'Quality Measurement in Service Industries' *International Journal of Service Industry Management* Vol. 1 No. 2 pp. 54-66



Johnston and Clark (2001) also use volume of transactions as the basis for a typology. They identify High Volume/Low Variety service operations and Low Volume/High Variety service operations.

An example of High Volume/Low Variety would be call centres. Professional services, however, are typified by Low Volume/High Variety services.

‘These organisations are generally selling their capability to meet a wide range of customer needs through skills, expertise and knowledge. A characteristic of professional services is that the individual professional is frequently both “designer” and “deliverer” of the service. In fact, the client may be “buying” the individual professional, rather than the firm itself.’ (Johnston and Clark, 2001, p.13)

From this brief examination of service-based literature, it is possible to derive a number of features, common to all the previous five writers, which characterise professional services.

- Professional service firms solve highly complex, technical problems.
- They have low volumes comprising a small number of substantial transactions.
- Solutions are customised.
- There is a high degree of client involvement in producing a solution. Co-production of value is therefore an important factor.
- Service workers have a high degree of discretion in designing an appropriate solution.
- Contact time is extended and deep.

Augmented product in the form of ‘meta value’ (Axelsson and Wynstra 2002) is also an important feature of professional service firms.

The following section examines literature that addresses how clients assess the quality they derive from services with particular reference to professional services. It seeks to establish how such assessments are affected, or made problematic, by the factors identified above.

## **(ii) Customer Assessments of Services**

Research on customer assessments of service quality (Normann 2000; Gronroos 1983) has been carried out in the area of 'mass' consumer services. This is outlined below leading to discussion of the importance of dramaturgy in services.

Normann (2000) draws a distinction between 'core' and 'peripheral' elements of the service package. So, for example, in an airline service, transportation from one point to another is more important than the cleanliness of the airport, much as the passenger may appreciate the latter. For Normann (2000), the customer's experience and evaluation of the total service received is determined by two factors:

- Whether the service package includes all the elements (core and peripheral) that he expects
- The extent to which each of these elements meets the various standards and quality criteria that he expects.

(Normann 2000 p.76)

Gronroos (1983) also believes that service needs to be sub-divided to better understand the customer's assessment of its quality. The division he makes, however, is between two quality dimensions: technical quality is concerned with outcomes and functional quality is concerned with process. Both dimensions are important to the customer, states Gronroos (1983), but functional quality is highlighted as being more influential:

‘...a bank’s customer expects that invoices are paid promptly, that money is transferred from one account to another, but on the other hand any bank can do this. The bank that is chosen by the customer is the one that has good functional quality, too...the functional quality of a service is influenced by the accessibility and appearance of the bank office, of long-run customer contacts, internal relations in the firm, and the attitudes, behaviour and service-mindedness of the contact personnel. The image of the firm, or of a branch office in some cases, is a result of how the customers perceive the technical and the functional quality dimensions.’ (Gronroos 1983 p.434)

Taking Gronroos’ (1983) concept of functional and technical quality, Hausman (2003) observes that customer evaluations of core services highlight the essential differences between professional services and other services. Any encounter with professional services that fails to provide favourable results in respect of the core component is unlikely to be deemed satisfactory by the client. However, in many of the services where technical quality and functional quality has been studied, failure of the core service is relatively rare.

‘...there are few instances where banks fail to properly credit customer’s accounts. This may explain why customers weight functional components more heavily, since technical quality is assumed.’ (Hausman 2003 p.227)

The technical quality element of professional services is problematic because, as Maister *et al* (2000) also pointed out, many clients do not have the expertise to judge technical quality. For clients of complex professional services such as legal, medical or management consultancy services, this is a pressing problem because the quality of the service cannot simply be judged on the outcome. Skilful advocacy in a courtroom, for example, could still result in a client losing his or her case. Clients of such services are therefore forced to rely more heavily on their assessment of functional quality to judge technical quality than would be the case in mass services such as banking.

When a customer assesses functional quality, there is a strong link with dramaturgy. This link was identified by Grove and Fisk (1983) using, *inter alia*, the work of Goffman (1959). Services can be seen as a performance during which, due to the inherent intangibility of the product being provided, customers look for cues and symbols in order to judge quality. By understanding the symbolic meaning that consumers attach to the social and physical context of the marketing exchange, strategies may be developed to create a more favourable impression of the service.

The importance of dramaturgy can also be seen in the work of Deighton (1994) where action becomes performance when the audience believes that it can hold the 'actor' to a standard. This is described as a 'contractual performance'. A contractual performance becomes a 'staged performance' when the consumer perceives a motive on the actor's part to produce a calculated effect by his or her actions. Motives could be the desire to create 'skill', 'show', 'thrill' or 'festive' performances. The customer's attribution of motive is crucial to his or her judgement of quality:

'If I imply to you that my motive is to perform skilfully, you will hold me to standards of honesty that you would not have used if I had suggested that my motive was to perform entertainingly'. (Deighton in Rust and Oliver, 1994, p.128)

Performances can fail if they appear to be incompetent or if they are discovered to be deceptive. A performance can be thought successful when the audience is persuaded to live for a while within the constructed drama. Deighton identifies five degrees of involvement ranging from a detached role taking in a mundane experience to a trance state in a transcendent experience.

Managing a staged performance requires framing the meaning and then amplifying this by 'permeating the boundaries between realism and fantasy, observation and participation, so that the event takes on a more varied, rich and

complex significance.’ (Deighton in Rust and Oliver 1994 p.133) Management also requires that audience involvement is intensified so that they have a tighter sense of identification with the action.

Deighton concludes that, for contractual performance, the expectancy confirmation/disconfirmation paradigm guides service managers well. However, for staged performances customer satisfaction is not simply a question of ensuring that the event conforms to expectations.

‘Viewing services as staged performances is not metaphorical. It is of the essence of service management that the customers and all the actors who are involved in delivering the service share and sustain “a single definition of the situation in the face of a multitude of potential disruptions”’. (Deighton in Rust and Oliver 1994 p.137)

As noted earlier, the importance of dramaturgy in assessing quality in professional services is particularly relevant because customers often do not possess the expertise to adequately judge the technical elements of the service. Indeed, lack of technical knowledge is usually the main reason for engaging them. Dramaturgy could therefore be considered particularly relevant to management consultancy and has certainly been very influential in its study. The literature on dramaturgy as it has been applied specifically to management consultancy is discussed in some detail in the next section.

It will be useful at this point to reflect back on the features of professional services that were extracted from the first section of this chapter. Professional service firms were characterised as providing solutions to highly complex problems. This fits neatly with the assertion outlined above that clients have difficulty judging technical quality and therefore rely on dramaturgy. Typically there was also an extended and deep level of contact time expended in providing customised solutions. The particularly interesting feature in this context is the high degree of client involvement and therefore the strong element of co-production of value that was identified as a characteristic of professional

services. This raises interesting questions about the influence of dramaturgy in the situation, typical of management consultancy engagements, where client and consultant work extremely closely together to jointly produce a solution. This is a feature of professional services but not ‘mass’ services. Before the relationship between co-production of value and dramaturgy can be explored in greater detail, however, it is necessary to examine the consultancy literature in more depth.

The consultancy literature can be classified as functional or critical (Werr, 2002). The functional perspective describes management consultancy as a knowledge industry and depicts consultants as important sources of expertise and ‘professional helpers’ (eg Maister *et al* 2000). Conversely, the critical perspective denies the existence of functional knowledge and asserts that the outcomes of management consultancy are highly uncertain. In this view, the need for consultancy is driven by the anguish and uncertainty that managers feel in their role and this leaves them vulnerable to manipulation. Success is dependent upon the ability of the consultant to manage the perception of value. Within this perspective, the knowledge that management consultants possess is viewed as a fad or a fashion that is closely linked to impression management. The critical literature is reviewed below with particular emphasis on dramaturgy.

### **(iii) Consultancy as impression management and the construction of managerial passivity.**

Sorge and Witteloostuijn (2004) write about ‘sick consultancy metaphors’ that poison business.

‘The global business world is infected by a virus that induces a permanent need for organisational change, which is fed by the management consultancy industry.’ (Sorge and Witteloostuijn 2004 p.1205)

In addition, Lundberg and Young (2001) believe that the client's request for help are 'almost always implicit calls for emotional help' while for Mickelthwait and Wooldridge (1996), consultants are 'witch doctors'.

Such views are common within the critical literature and are addressed in more detail below. According to this literature, the difficulties faced by managers stem from the intangibility of the services being purchased and the difficulty in assessing technical quality discussed above. In the process of discussing the interaction between consultants and their clients, the critical literature creates a view of managers as passive victims of manipulative consultants.

Alvesson (1993) examines knowledge-intensive firms (KIF's) and much of what he writes is clearly relevant to management consultancy. Alvesson proposes a 'perspective on knowledge as institutionalised myth and rationality surrogate' (Alvesson, 1993, p.997) and stresses that the 'struggle' with ambiguity is a 'crucial dimension' of KIF's.

Despite the difficulties associated with defining knowledge, it is nevertheless treated by many writers as a robust category that is capable of producing 'good' results. Indeed, studies of psychologists, architects, and social workers are used by Alvesson (1993) to demonstrate the conclusion that formal knowledge actually plays a limited part in their work. This initiates a complex response in organisations leading to knowledge becoming an institutionalised myth. Interaction with KIF's then takes on a new meaning.

'To use or be connected to agents which are highly visible and sanctioned in terms of knowledge and expertise is important in adapting to the institutional environment in the contemporary Western world. Knowledge-intensive service organisations thus become vital symbols for client organisations' elaboration of rules and requirements for rationality...External as well as internal faith is thereby created.'  
(Alvesson, 1993, p.1004)

The difficulties in assessing the work results of KIF's is also stressed. For example, a skilfully performed operation will not necessarily guarantee the survival of the patient. For Alvesson (1993), the result of this ambiguity is that the focus changes from stressing formal knowledge to 'persuasive strategies in convincing all concerned about expertise and superior rationality...the persuasive or rhetorical element then is vital'. (Alvesson, 1993, p.1004) The implication is then that consultants require not so much formal knowledge as personal skills such as commitment, persistence, strong interpersonal and communication skills, as well as the ability to cope with uncertainty and strain.

'Institutionalised assumptions, expectations, recognitions, reputation, images, etc, are important to how the product of KIF's are perceived' (Alvesson, 1993, p.1006/7)

Management of perceptions and the use of rhetoric then becomes of central importance and the implication is that the ambiguity surrounding knowledge will make it difficult to assess value. It is here that the link with dramaturgy can be most clearly seen.

Alvesson's article has many resonances with the work of Clark (1995). Clark, like Parasuraman, Zeithaml and Berry (1990), stresses the difficulties in buying services rather than goods. He identifies four distinct characteristics of services.

- Intangibility
- The fact that service delivery 'is primarily a process of interaction between buyer and seller'
- Heterogeneity: services cannot be standardised in the same way as goods because they are so dependent upon individuals
- Services are perishable and are destroyed in the process of consumption.



For Clark (1995) and Clark and Salaman (1998) the overall implications allow a similar conclusion to that of Alvesson (1993):

‘Because clients do not know what they are getting until they get it, consultants are able to take control of the process by which impressions and perceptions of their service are created. By managing the creation of these images consultants are able to persuade clients of their value.’  
(Clark and Salaman, 1998 p.35)

Consultants must, therefore, manage their client’s expectations and overall experience to ensure satisfaction and, of course, repeat business. Clark’s (1995) contention is that, at the core of management consultancy is ‘the creation and management of impressions’. (Clark 1995 p.62) This is exacerbated by the fact that management consultancy is highly heterogeneous and, because the consultants themselves have greater freedom to manage the interaction process, clients may perceive that they are unable to receive the same level of service elsewhere. Clark (1995) suggests that each assignment provides consultants with an opportunity to ‘project their special and distinctive competencies to clients..’ (Clark 1995 p.84). This emphasises the unique nature of management consultancy as a professional service: it is bought by executives within a corporate environment and is quite distinct from the mass-market situation.

To understand the relationship between consultants and their clients, Clark (1995) uses the dramaturgical metaphor.

‘...consultancy work can usefully be understood in terms of the general rubric of the theatre. Consultants seek to create and sustain a reality that persuades clients of their value in the same way that actors seek to create a “theatrical reality”.’ (Clark, 1995, p.87)

Clark (1995) is sceptical of writing which approaches the consultant as a professional helper. To begin with, many such writers have been consultants themselves so have a vested interest in reinforcing professional status. More

fundamentally, consultants have no accepted and authoritative knowledge base in which to ground a claim to professionalism:

‘This fluidity in the knowledge base of management consultancy is demonstrated by the consultant-driven, package-led, orientation of certain types of consultancy work.’ (Clark, 1995, p.90)

In the absence of such a formalised knowledge base, consultants must appear to be authoritative by manipulating the interaction between themselves and their clients so that the client is convinced of the value and quality they have provided. This implies a lack of critical judgement on the part of the client.

There appears to be a connection between the work of Clark (1995) and Alvesson (1993) and that of Bloomfield (1995). Bloomfield and Danieli (1995) look specifically at IT consultants who are part of general management consultancy firms and argues that it is not possible to separate the technical skills of such consultants from their socio-political skills.

‘We suggest that the role of consultants can be understood in relation to the use of stratagems first for making themselves indispensable to clients, and second for maintaining that identity during the lifespan of a consultancy engagement.’ (Bloomfield and Danieli, 1995, p.28)

Bloomfield and Danieli (1995) argue that consultants set themselves up as ‘obligatory passage points’, that is, as intermediaries between the client and technology. To maintain this identity, consultants re-define themselves and their clients so that they fit a particular niche created by themselves. In order that they can establish and maintain such an identity, management consultants ‘must mobilise various arguments, reports and techniques (such as project management or systems analysis methodologies), or specific ideas or ways of thinking and speaking about the world of organisations (eg excellence or TQM), business and IT, which help construct and reproduce the relationship between the indispensable and the dependent.’ (Bloomfield and Danieli, 1995, p.29) The

central pillar of Bloomfield and Danieli's (1995) analysis concerns the reproduction by consultants of the dualism between the technical and the social in order to sell themselves as experts.

The position adopted by Bloomfield and Danieli (1995) is that problems have no independent existence, and it is fundamentally important to understand how they are constituted. Bloomfield and Danieli (1995) use a case study of consultants in the NHS to illustrate this point. To maintain their position as technical experts they had to deploy their socio-political skills, which, as Bloomfield and Danieli (1995) argue, are inseparable from their technical skills. Other writers have identified the political element of consultancy services but see it as a source of value to the client. These are discussed below.

Bloomfield and Danieli (1995), like Clark (1995), create the impression of a client who is manipulated by consultants. The view of client managers as victims can also be seen in the work of writers who focus on the 'fads' that many consultants are involved in marketing to clients. Gill and Whittle (1992) concentrate upon what they have called 'management by panacea'. They observe that the preoccupation with Total Quality Management (TQM) that was prevalent at the time of writing, was reminiscent of previous 'obsessions' with Management By Objectives (MBO) and Organisational Development (OD). It is further observed that management 'fads' have a cyclical nature.

The pervasiveness of these ideas and their cyclical nature seems anomalous given the fact that they seem to have little substance. For example, Gill and Whittle (1992) write of TQM:

'The literature was found to comprise a mass of best practice statements and lists of requirements "essential" to the successful implementation of TQM'. (Gill and Whittle, 1992, p.285)

Gill and Whittle (1992) point to 'idealised' literature that lacks concepts and theory to make it coherent, and they refer to 'consultant-led, packaged,

managerial panaceas and quackery' (Gill and Whittle, 1992, p.286). In the process of being sold by consultants, TQM gets simplified in order to make it more attractive and easily grasped. This approach obscures the subtleties and complications so that it should not be surprising when 'this appears to managers to boil down to the installation of techniques in a mechanistic, step-by-step way much as was also advocated by MBO and OD' (Gill and Whittle, 1992, p.286).

The manager is presented as a victim of his or her environment, unable to resist the holy grail promised by successive managerial panaceas, a view that appears to have much in common with Kieser (2002). Using fashion theory to analyse the nature of consulting, Kieser (2002) observes that the rapid expansion of the management consulting industry is related to the equally rapid expansion in the market for management books, seminars, conferences and magazines.

'It is shown that by producing management concepts, some of which succeed in becoming management fashions, consultancies are able to create a demand for their services.' (Kieser in Kipping and Engwall 2002 p.167)

To make their service more attractive, consultants make their ideas easy to comprehend and managers find this appealing:

'Managers find the simplicity of management concepts attractive because, in combination with the cases of successful implementations, it furnishes them with a powerful line of argumentation....simplicity enhances perceived control.' (Kieser in Kipping and Engwall 2002 p.178)

Clark and Fincham (2002) also stress the vulnerability of managers, believing that the dramatic growth in management consultancy is linked to perceived skills shortages:

‘By virtue of the nature of actual or planned changes, managers came to believe that new skills, values and qualities lacking in their own organisations were needed.....the growth of management consulting was seen as being primarily linked to knowledge deficiencies on the part of clients and a need to supplement in-house skills’ (Clark and Fincham 2002 p.4)

Bloomfield and Vurdubakis (2002) corroborate this by examining the construction of this knowledge deficit prior to a consultancy engagement. They argue that uncertainty is created by consultants in order to provide a context for the provision of a solution:

‘...the very experts sensitising management to the (now) permanent flux around us are those who claim to have the ability to plot a safe course...’ (Bloomfield and Vurdubakis in Clark and Fincham 2002 p.115)

Bloomfield and Vurdubakis (2002) stress the importance of specific objects in the process of creating uncertainty. Making the future seem tangible is centred around the ‘artefact’, in the case of their study, a self-stocking fridge.

‘..the invitation to “imagine”, to envision the future of their own organisation as a world of knowledge, prediction and control, is also an incitement to view the present as a state of ignorance and impotence’. (Bloomfield and Vurdubakis in Clark and Fincham 2002 p.123)

Impression management is dependent upon the creation of distinct identities. Alvesson and Robertson (2006) observe that socially constructed elite identities are willingly incorporated by consultants into their sense of self. Issues of identity are important to consultancy firms because, *inter alia*, they communicate to the client the aspired image. Also, a distinctive organisational identity mediates the inherent ambiguity of knowledge-intensive work.

‘The importance of establishing oneself as a sophisticated “expert” in relation to other professionals in client firms calls for the development of a robust, distinctive identity that will facilitate impression management and the development of social relations.’ (Alvesson and Robertson, 2006 p.220)

Backlund and Werr (2004) examine the social construction of management consulting through an examination of the web presentations of four major global consultancy firms: McKinsey, Boston Consulting Group, Andersen (now Accenture) and KPMG (now Bearing Point). They observe that the growth of global consulting rests on the assumption that management is an increasingly standardised activity and that knowledge developed in one part of the globe will be equally applicable elsewhere. However, contrary to this assumption, they point out that management consultancy can have significant local variations.

Against this background, global consultancy firms attempt to legitimise their services. Backlund and Werr base their study on the sociology of translation, the central aspect of which is the process of problematisation. Actors become involved in a growing network established around a created problem. One actor sets him or herself up as an ‘obligatory passage point’ (also seen in Bloomfield and Danieli, 1995). In terms of global consulting, this means creating a problem that can only be solved by a global consulting firm.

Implicit in the consultancy firm’s web presentations is the assumption that global reach increases the stock of knowledge that the firms accrue. The applicability of this knowledge across the globe is taken for granted because competency is seen as more important than geography.

Whilst client shortcomings are stressed, the firms are careful to portray the client as ‘legitimate help-taker’. They stress that they help ‘leading’ organisations so that seeking their intervention is not a sign of weakness but a prerequisite for success. At the same time, they seek to establish themselves as ‘legitimate experts’. Likewise, in reproducing the image of management as a rational

knowledge-based activity, they draw on the strong support of myths of rationality, globalisation and universality.

In these circumstances, clients are likely to be more vulnerable to the effects of personal relationships. Kipping (1999) shows how American consultancy firms expanded in Europe using the personal relationships they developed with clients. Indeed, individuals were recruited specifically for their connections. McGivern (1983) examines specific cases of relationships between consultants and clients and noted a lack of emphasis on results. In one case, while project objectives were achieved, this was expressed as being the result of qualitative factors in the relationship rather than the consultant's technical expertise.

Maister (1993) notes that the client comes to rely on a mixture of dramaturgy, functional quality and personal relationship to indicate quality.

‘Because of the ambiguity that surrounds technical excellence (and the difficulty the client has in appraising it), the personal relationship between the client and the provider takes on great significance in all of the professions.’ (Maister 1993 p.71)

Managing the client's expectation and experience is therefore as important as delivering work of a high technical standard. Maister points out that clients rarely engage firms based purely on their technical skills. Writing from a buyer's perspective, Maister says that he will be ‘forced to rely on clues obtained through the interview process in order to guess at what kind of person you (the professional) are. My impressions and perceptions are created by small actions that are meaningful for their symbolism....Unlike the process of qualification, which is predominantly rational, logical, and based on facts, the selection stage is mostly intuitive, personal, and based on impressions.’ (Maister 1993 p.114)

These are also the findings of Hausman (2003) who concluded that the unique nature of professional services may increase the customer's reliance on the social aspects of the relationship as a means to increase satisfaction with the service.

Hausman's research results support the notion that the social aspects of professional service relationships positively affect the satisfaction of clients of physicians, social workers, ministers and hairstylists, but the strength of the relationship varies with the context. The more classically 'professional' occupations, like medicine, show a stronger link between social aspects of the relationship and satisfaction than less 'professional' occupations such as hairstyling.

This section has built on the previous sections by showing how the general characteristics of services, and professional services in particular, increase the risks faced by clients of management consultancy firms. Clients are rendered vulnerable to manipulation by the difficulty in assessing quality prior to consumption, as well as the intangibility and heterogeneity of the services they seek to procure. Consultants exploit this situation by manipulating the relationship with clients and establishing an identity as 'professional' and expert and, therefore, 'obligatory passage points'. In the process, client managers are seen as passive victims.

The next section discusses in more detail the risk faced by clients of consultancy firms and the ways that they may seek to minimise such risk.

#### **(iv) Risk and ambiguity**

Due to the intangibility of the service and the difficulty in judging outcomes, there is a high degree of risk involved in purchasing professional services (Mitchell *et al* 2003) and this often leads to a high degree of brand loyalty if experience of the service is good (Mitchell 1994). The factors leading to such a high degree of risk, and some of the strategies used by clients to reduce such risk, are discussed below.

Consultants are anxious to establish 'professional' status for themselves (Maister 1993, Maister *et al* 2000). The use of the term 'professional' is problematic, however, when applied to consultancy because it implies a legitimacy that is not



present. This is discussed in detail by Gluckler and Armbruster (2003) who observe that the market for management consultancy services is imperfect and characterised by uncertainty. This uncertainty stems from various sources that they discuss as follows.

Management consultancy is an ‘unbounded’ industry. There are no ‘professional’ standards and no professional bodies with statutory authority to regulate standards. In addition, consulting has none of the typical features of a profession, such as:

- A common stock of knowledge;
- Specific educational courses or qualification;
- Legal protective designation

The consequently low market entry barriers mean that anyone can label their services ‘consulting’. A prospective buyer of such services has no way of judging expertise and this leads to considerable information asymmetry, much more so than in other ‘classic’ professions where formal institutions absorb some of this risk. ‘Membership of a professional organisation is a market signal ensuring the quality of service supplied. It legitimises the right to practice in professional markets and serves a symbolic purpose in indicating and institutionalising the possession of knowledge.’ (Kam, 2004)

As Gluckler and Armbruster (2003) point out, the absence of any licensing standards, qualification requirements or codes of conduct mean that malpractice cannot be defined against a set of standards and, in any case, there is no institutional means of responding to malpractice.

In addition, as with most knowledge-intensive services, there are issues of confidentiality, intangibility and interdependency. Access to confidential information in particular, makes the client vulnerable to opportunistic behaviour on the part of the consultant.

Lastly, product intangibility renders ineffective the standard competitive market mechanisms of quality and price (Porter 1980, 1985). This is because quality of service is so difficult to measure. Therefore, if the quality of a contracted performance is not objectively assessable, then price cannot be used as an indication of quality.

‘Project results are unique and hard to compare with other projects, thus the intangibility of consulting services inhibits any objective price building. Consequently, prices do not resolve the uncertainty clients face when screening the consultancy market for the best providers.’  
(Gluckler and Armbruster, 2003)

The absence of standards opens the way to performance surrogates such as impression management. Using the embeddedness perspective (Granovetter, 1985), however, Gluckler and Armbruster explore alternative informal social institutions used by clients to reduce uncertainty. Among these are public reputation and experience-based trust.

The use of ‘networked reputation’ is, however, identified as extremely important. Channelled through socially embedded networks, such information is ‘thick’, credible and trustworthy. It operates as a social substitute for service quality and, as an indicator of competence, has the effect of raising the entry barriers for new entrants.

This gives consultancy firms with a high degree of reputation the opportunity to charge high fees because they have a brand that signals legitimacy. Kam (2004) also studies the implications of claims to professionalism by consultants and concludes that strong brands compensate for difficulties in establishing quality. Essentially, strong brands become a substitute for professionalism and the status that it bestows. Consultants from branded firms are, therefore, presumed to be competent and professional. Kam also concludes, however, that because client satisfaction is of paramount importance to consultants, where there is any

conflict between the two, 'professionalism' will always be sacrificed. Indeed, she goes so far as to suggest that 'professionalism' may hamper the consultant's ability to operate in political situations.

This section has discussed the difficulty associated with claims by consultants to the status of professionals. Such claims appear insubstantial when compared to the 'classical' professions such as law and medicine. This, in theory, increases the risk to the client when purchasing consultancy and the resulting reliance on a strong brand to convey legitimacy has also been noted. Significantly, both this section and the previous section made an assumption that the client of professional services has difficulty assessing the technical quality of the services he or she is procuring. This may appear to make the client weak, vulnerable and heavily reliant on functional quality and dramaturgy as an indicator of technical quality. The next section, however, implies that this is not the case. It discusses the use of brand and its 'meta value' (Axelsson and Wynstra 2002), by the client as a political weapon. In this view, clients are not passive and consultancy is seen to have significant value to its clients. It also suggests that clients have a much clearer insight into the technical aspects of consultancy services than literature previously discussed had implied.

#### **(v) Consultancy as value and political weapon**

The critical view of consultancy has detractors and some observers believe that clients use consultancy services to address specific political objectives. For example, Saint Martin (2005) suggests that in the public sector, consultants are deliberately used to diffuse blame and provide some protection from political opponents. This section examines the views of those opposed to the critical view of consultancy who see clients as using consultancy to deliver value and, in particular, for political reasons.

Neumann (2003) observes:

‘Incorporating popular cynicism under a banner of applying “critical theory”, this emerging research intends to subject management consultancy to scrutiny as an industry (Clark and Fincham 2002). While certainly valid, such a critique does little to clarify those contemporary approaches to substantial organisational change, which may result in outcomes judged positively by a range of stakeholders.’ (Neumann, 2003, p.2)

Salaman (2002) is critical of the concentration on the truth or untruth of consultancy ideas:

‘It assumes that management thinking and decision-making is “normally” or inherently rational and systematic and that therefore this apparent deviance requires explanation....Yet there is little in our knowledge of organisation process, functioning decision-making at the theoretical or empirical levels that makes this “irrationality” striking or unusual. Quite the reverse is normal’. (Salaman in Clark and Fincham 2002 p.252)

Whatever the quality of these ideas, Salaman (2002) observes, they appeal to managers and therefore play an important part in restructuring programmes.

Heller (2002) also points out that there may be other reasons why managers use consultants that the current emphasis has missed:

‘...it may not always be safe to assume consultant-guru dominance and managerial subordination. The alternative possibility also has to be considered, namely that managers exploit the reputation of consultant-gurus for their own purposes and are prepared to pay substantial fees in order to indulge their own strong ego needs’. (Heller in Clark and Fincham 2002 p.268)

There are other writers who take a more positive view of consultancy services. For example, Fincham (1999) also disagrees with the view of passive managers and illustrates the point using case studies which show managers who are far from being passive recipients of consultancy.

“... internal managements not only contested the legitimacy of consultant and guru claims but constructed their own versions of reality – versions of their own solutions and counter-versions of consultants’ solutions. There was very little belief in the impartiality of external experts. No willingness to allow them free rein in defining their skills, nor unfettered freedom to build saleable images of themselves. Instead, there was an awareness of consultants’ and guru’s “special talent” for self promotion” (Fincham, 1999, p344).

There is, according to this, an active engagement by managers with the ideas put forward by consultants and it is far from passive. Werr and Linnarsson (2002) argue that consultants have become an integral part of the client’s knowledge system and provide access to information that would not otherwise be available to managers.

Collins (2004) argues that understanding of consultancy has been coloured by a failure to acknowledge the processes that facilitate the translation of advice. The consumption of management knowledge is a ‘complex, mediated and social process, which turns upon the capabilities of actors and actions hitherto written out of attempts to debunk/resituate debates on the advice industry’. (Collins, 2004, p.564) Collins concludes that managers are not passive recipients but amend organisational ‘recipes’ to suit the local situation.

There is also empirical evidence to suggest that clients of consultancy firms have clear motives of their own for using consultants. Research carried out by Poulfelt and Payne (1994) named five such motives. These were as follows. Percentages refer to proportion of client responses to the survey used.

To provide expertise, knowledge and new methodologies	21%
To provide additional resources	13%
To present new solutions to the organisation's problems	21%
To act as an external catalyst and moderator	24%
To bring an independent and neutral perspective to the organisation	18%

**TABLE 2.3**  
**MOTIVATION FOR CONSULTANCY USE**  
**Poulsen, F., Payne, A. (1994) 'Management Consultants: Client and Consultant Perspectives' *Scandinavian Journal of Management* Vol. 10, No. 4 pp 421-436**

Again, this does not suggest total passivity on the part of client managers, but rather some conscious application of consultancy resource to existing problems

Like Alvesson, Werr (2002) focuses on the knowledge base of consulting services but comes to a different conclusion. Writing of his research in two Swedish companies, he concluded:

‘....this study of consultant's work....shows that the consultant's actions were to a large extent based on detailed functional knowledge aimed at improving the operations of the client organisation (rather than creating an impression of such improvements). (Werr in Kipping and Engwall 2002 p105 – 106)

Also contrary to the view of passive managers and confident consultants, Sturdy (1997) develops an alternative interactive model ‘based on reciprocal and self-defeating concerns of clients and consultants to secure a sense of identity and control’ (Sturdy, 1997, p.390). It is his contention that the interactive nature of the relationship between consultants and clients is often missed:

‘For example, managers are often critical of, and resist, consultants and new ideas and, in turn, consultants respond to and seek to anticipate such concerns’. (Sturdy, 1997, p.390)

Sturdy (1997) does not deny that consultants 'actively contribute to the conditions of their demand' (Sturdy, 1997, p.398). There is, however, a dual aspect to such services. Ideas and techniques are 'rendered attractive by consultants simultaneously offering to reassure clients while reinforcing their insecurities'. (Sturdy, 1997 p.398)

Clients want to conform to the 'norm' and consultants play a major role in normalising problems by relating back to other clients and providing reassurance and the comfort of 'technical rationality'.

'The appeal and political utility of technical rationality is that it offers both the prospect of controlling uncertainty and legitimation through being seen as objective and politically neutral.' (Sturdy, 1997, p.399)

There is therefore a political dimension to their services which clients find valuable. However, in providing them, consultants also reinforce uncertainty:

'... through their research of different sectors and technologies and their marketing and early sales presentations, they not only normalise problems, but elaborate them, and direct attention to new ones'. (Sturdy, 1997, p.401)

This continues during projects as they search for new problems and, therefore, new engagements.

However, the portrayal of vulnerable managers in these situations is, believes Sturdy, inaccurate because of the possibility of political objectives:

'(Such a portrayal) might not seem wholly appropriate to manager's tactical use of consultants to legitimate prior decisions and/or pursue career objectives.....And should perhaps be restricted to those who

seem attracted to or who adopt new management ideas or fads in “good faith”’. (Sturdy, 1997, p402)

The difficulty in assessing value in the context of consultancy is highlighted by other writers. Kipping and Armbruster (2002) stress the difficulty associated with the ‘otherness’ of consultants and contend that it is this which contributes to the ambiguous picture of the value derived from consultancy. They argue that consultancy interventions are difficult to assess because of their intangibility and the difficulty of comparison outside of a controlled environment. However, one of the benefits of otherness is legitimacy:

‘This legitimisation is based on the values of rationality and scientificity that consultants are associated with, and organisational decision-makers can refer to “scientifically valid” standards and progressiveness if they employ them’. (Kipping and Armbruster in Kipping and Engwall, 2002 p.205)

Kipping and Armbruster (2002) also point out that this does not produce quantifiable results and is thus not measurable. Despite this difficulty, however, legitimisation still represents a potential source of value because it can be used to reinforce management decisions.

Gammelsaeter (2002) also looks at the political role of consultants. He argues that because consultants are embedded in contexts outside the organisation, they are limited in the extent to which they can influence changes in the client organisation. However, despite the increasing commodification of consultancy and decreasing efficiency, consultancy continues to grow:

‘This paradox is explained by the political function that consultancy play in serving the dominant coalition in the client organisation.’ (Gammelsaeter in Kipping and Engwall 2002 p.224)



The more unstable the management structure within a client organisation, the greater the influence of consultants.

‘...consultants may sometimes find themselves interacting most intensely not with the dominant coalition but with groups of managers who patiently try to exploit the (sometimes) restricted scope for action that is to be found in the inner context. In this sense consultants are used in a power game between groups of managers, and their influence therefore depends not merely on the advice they convey or their pedagogical and rhetorical qualities, but also on the outcomes of these games in the long run’. (Gammelsaeter in Kipping and Engwall 2002 p.236)

Alvesson and Johansson (2002) discuss the use of consultancy in a political context by discussing the use of professionalism. The claims to professionalism made by consultants can be selectively used by clients to their advantage.

They identify different types of consultants:

- Esoteric experts
- Brokers of meaning
- Traders in trouble
- Agents of anxiety and sellers of security

However, they point out that consultancy work typically involves a blend of these types and that sometimes one or two of the types will dominate a particular assignment. Where ‘political’ services are required, it suits the client to have a strong image of professionalism.

‘..consultancy work frequently means mingling professionalism with anti-professionalism. Consultants and clients continually negotiate where the focus should be. The more adaptive the consultant is to

change behaviour that fits the context the better the possibilities for consultancy work.’. (Alvesson and Johansson in Clark and Fincham 2002 p.240)

So, the political environment within which the client operates has a direct effect on the use of consultancy services.

Kaarst-Brown (1999), however, suggests that the use of consultants has strong symbolic value that may or may not be used consciously by clients. The external consultant could be seen as any of the following.

- A symbol of change-to-come;
- A symbol of changing norms and values;
- A symbol of power redistribution;
- A symbolic wishing well;
- A symbol of organisational empowerment.

So, the use of consultants may have a value that cannot be demonstrated using purely tangible project objectives. Value may be associated more with the achievement of political objectives or creating the right climate for organisational change.

Conversely, Poulfelt and Payne (1994) examined client motives for using consultants and found that only 3% of survey respondents used consultants for political purposes. However, they also observed:

‘Political Motives are.....highly sensitive and are difficult to elicit in written questionnaires. Further, consultants may be unaware of the “real” motives and clients may be unwilling to reveal them. Thus their importance may be under-represented in this study.’ (Poulfelt and Payne, 1994, p426)

More recently however, Schwarz (2003) studied the use of consultants in the context of the strategic review process within a manufacturing company. The research showed that consultants influenced the strategy process at different stages and also influenced management in their decisions. Five main categories of consultant's contribution were identified and these are set out below with some relevant detail.

1. Prioritising Strategic Issues: The consultants identified a requirement for fundamental change. Significantly, it seems they were able to raise this in a way that may have been difficult for an employee or director.
2. Analyzing Strategic Issues: In a strategy development process that was described as 'autocratic', consultants were able to question established practice.
3. Knowledge Carrier: As well as disseminating information about their proposed solution, the consultants also had the role of securing its acceptance.
4. Promoting Strategic Decisions: The role of securing acceptance went beyond mere persuasion, however, when handling issues with senior managers. When dealing with dissent at board level, the senior consultant 'started to raise his voice and made personal attacks on a certain senior manager whose department was not doing well'. (Schwarz, 2003, p.21).
5. Facilitating Implemented Changes: The role of the consultants continued well into the implementation process. The CEO commented:

'..he is the best person for this job.....he is able to fight, in particular, the senior management board.....I sometimes trust him more than my colleagues on the board.' (Schwarz, 2003, p.24)

Schwarz (2003) concluded that the relationship between client and consultant directly affected the degree of influence which consultants were able to use. It is also interesting to note that much of the effectiveness of the consultants seemed to lie in the very fact that they were external. This appeared to give them a political advantage and objectivity that they used to push their agenda of change. It is interesting to note that the CEO of the company being studied seemed to be consciously using consultants as catalysts for change. This strongly suggests that the political role of consultants provided a rich source of value in this instance that could not have been achieved by an internal employee.

Such use of external consultants to effect change has strong resonance in Nippa and Petzold (2002) who also specifically note the conscious use of brand name as a signal. They observe that the functions of a consultant comprise knowledge transfer; provision of objectivity, and obtaining legitimacy. Dominant decision frames can be difficult to overcome so 'management consultants can be viewed as a means to enforce the favoured alternative by providing an accepted, sometimes unquestionable reference' (Nippa and Petzold 2002 p.224). This reference power is based on the consultant's independence and reputation. 'From the perspective of the client, the consultant's value is not based on the intensity of work, the knowledge embedded in argumentation, or the quality of the product, but rather on the brand name signalling quality and ensuring acceptance. Clients are willing to pay more for a higher signal quality providing them with the superiority needed to reinforce their interests.' (Nippa and Petzold 2002 p.225)

Looking particularly at corporate mergers, Hellgren *et al* (2004) observe that consultants act as agents of homogenisation. These contexts often involve a redistribution of power and are therefore highly political. Their 'self-claimed' status as neutral and objective experts, makes them central enablers in this process. Consultants can be simultaneously or sequentially engaged in expert or political/persuasive roles. Hellgren *et al* identified four different homogenisation processes in which consultants played different roles:

- Externally driven in which consultants act as agents of homogenisation
- Compromisingly driven in which consultants act as agents of negotiation
- Procedurally driven in which consultants act as facilitators
- Assymetrically driven in which consultants act as agents of colonisation

In all cases, consultants are being used by their clients to achieve the goals that they have set and, in this way, deliver value. Clients are not seen either as passive or as victims of manipulative consultants.

Kam (2004) goes as far as suggesting that the political utility of having consultants who support their client's decisions and uphold their authority actually overcomes the intangibility and ambiguity that is inherent in management consultancy. Although content and knowledge remain vital, the consultant's skills in performing social interactions are more important. Kam also observes:

‘Given the emphasis placed on client-consultant relationships, it should be little wonder that so little effort has been put into the evaluation and measurement of consulting performance or even into devising criteria for such evaluation and measurement.’ (Kam 2004 p.63)

Measurement is important but subjectivity becomes the norm while objectivity is impossible.

‘Managers often use consulting services for their own political purposes, and as such, are not in a position to critically evaluate what they have used.’ (Kam 2004 p.63)

For consultants, this means that satisfying the client is vital.

‘The sole and utmost important criterion for management consulting thus appears to lie in client satisfaction. Any other ethos of professionalism, if it does not directly contribute to satisfying clients, is simply forgotten.’ (Kam 2004 p.64)

This means that consultants are, potentially, of great importance to clients because of their political utility and willingness to do anything that is required to fulfil the client’s expectations.

### **Summary**

Writers on services identify characteristics of professional services that include the complex and often customised nature of the services themselves; the extended and deep level of contact time between client and provider; the high degree of discretion given to service workers; and the high level of client involvement in the service itself. The complexity of professional services affects the way that clients judge quality.

Clients of ‘mass’ services such as banking, can judge technical quality simply by a successful outcome, for example, correct and timely payment of cheques. Clients of complex professional services, however, have a more challenging task when attempting to judge technical quality due to the intricate nature of the service itself. Legal advocacy and surgery, for example, may be skilfully performed but still have an unsuccessful outcome. This results in a heavy reliance on functional quality as an indicator of technical quality. The application of these assertions to the procurement and use of management consultancy results in two distinct views of consultancy outlined below.

Knowledge services are, by their nature, ambiguous and the market for management consultancy services is characterised by considerable information asymmetry. Consequently the client has difficulty in assessing quality prior to purchase. This may be exacerbated by the technical nature of the service and its

unfamiliarity to the client who cannot, in such circumstances, rely upon the regulatory governance of the professional institutions that are found in, for example, the fields of law or medicine. It is suggested that the brand of a consultancy firm then becomes a substitute for professionalism and a signal for the quality of its consultants. The purchase of consultancy services therefore represents a significant risk for the client and this leads to reliance on subjective responses to personal relationships, previous experience, brand and networked reputation as ways of assessing technical quality and minimising risk.

Client vulnerability is exacerbated by the use of ‘impression management’ by consultants. This creates the image of a client who is passive and can be persuaded of the value of the ‘fads’ sold by consultancy firms at various times. Consultants are thereby given the opportunity to establish themselves as ‘obligatory passage points’ (Bloomfield and Danieli 1995; Backlund and Werr 2004).

Conversely there are strong arguments and empirical evidence to suggest that executive clients themselves consciously use the professional status and objectivity claimed by consultants, as well as the selection of strong consultancy brands, to further their own agendas. For example, consultants can give legitimacy to an executive’s own decisions, add momentum to change initiatives or affect the balance of power within an organisation. This indicates that consultants play a major role in the internal politics of organisations but are controlled by clients. Furthermore the strong element of co-production of value, combined with the extended and deep level of contact that are characteristics of professional services, suggest that the client has a more sophisticated understanding of technical quality than has previously been suggested. This would, in turn, be a significant impediment to the consultants’ ability to establish themselves as the sole repository of knowledge to whom reference must necessarily be made.

## **CHAPTER THREE**

### **SUBJECTIVE VALUE CHOICE**

#### **Introduction**

The subjective value choices of individuals are of central importance to this study because of the fundamental role they play in the procurement of management consultancy by executives. Chapter Two has provided strong indications that clients manipulate consultants for their own purposes. For example, they may need to add external validation to their own decisions, or help in managing internal politics. This is value that is personal to individuals. In the two examples given, it is the individual's authority that is enhanced and the balance of power that is manipulated in favour of the individual. Executives instigate these engagements themselves and then assess the value that they, personally, have derived from it.

Understanding the nature of subjectivity and the way it influences individuals and their value choices also greatly assists in developing a distinction between the subjectivity of individuals and the objectivity which pervades relationships between organisations. Such organisational relationships are merely facilitated by individuals and operate at several levels of engagement. Such relational approaches to business transactions are developed in greater detail in Chapter Four. The distinction between subjectivity and objectivity is, however, pivotal to this study because it provides the basis for a difference in approach between executive procurement of management consultancy and professional procurement methodologies.

The purpose of this chapter is to focus upon the treatment of individual value choice, firstly as it is discussed in the economics literature and then, more broadly, in philosophy. The difference in approach between the two disciplines is developed in the following ways.



Although the history of writing on value started with Aristotle, discussion of this early work has not been undertaken. Labour theories of value developed by Ricardo (1817) and Marx (1867) have also been omitted because they concentrate on deriving value from supply rather than demand. Smith (1776) has been omitted for the same reason. The following analysis begins with a discussion of utilitarianism and subjectivism that concentrates on the behaviour and preferences of consumers as a means of assessing value. It is argued firstly that utilitarianism is fundamentally flawed for the purposes of this study because it is based upon an unsuitable theory of human behaviour. Secondly, and most fundamentally, the discussion questions the validity of monistic theories of value and puts forward a compelling pluralistic alternative.

#### **(i) Utilitarianism and Subjectivism**

The following discussion sets out the main tenets of utilitarianism and subjectivism. It stresses the mathematical nature of marginalism and the attempt to measure subjective preferences using price. It argues, however, that such theories are based on an inadequate theory of human behaviour. This section then opens into a further discussion that questions the use of price as an adequate measure of value.

The classical theorists had believed that the source of value lay in the production process. Utility was always acknowledged as an important aspect of value theory but not as a unit of measurement. The advent of neo-classicism, however, saw a shift of emphasis away from production and towards demand and consumption as the source of value. This, as Dobb observes, placed ‘the stress on the capacity of what emerged from the production-line to contribute to the satisfaction of the desires, wants, needs of consumers.’ (Dobb, 1973, p.167) In this way, individual preferences were stressed in a way that was completely alien to Smith, Ricardo and Marx.

Bentham (1789) is notable as a precursor to neo-classicism because he applied utility theory more widely than had previously been the case and set it at the

centre of a coherent theory of human behaviour. Writing primarily on government, Bentham developed a principle of utility that reduced the motivation of all individuals to the maximisation of pleasure with the minimal amount of pain:

‘Nature has placed mankind under the governance of two sovereign masters, *pain* and *pleasure*. It is for them alone to point out what we ought to do, as well as determine what we shall do.’ (Bentham, 1789, p.1)

Utility was defined as the ability of an object to either supplement or diminish the happiness of the individual.

‘By utility is meant that property in any object, whereby it tends to produce benefit, advantage, pleasure, good, or happiness...or...to prevent the happening of mischief, pain, evil or unhappiness to the party whose interest is considered..’ (Bentham, 1789, p.2)

These ideas were applied to economic theory by a number of writers but the contributions of Jevons (1866), Menger (1871) and Walras (1874) are unique because by using marginal utility, subjective value could actually be measured.

‘Their marginalism gave credit to a special version of utilitarian philosophy, one for which human behaviour is exclusively reducible to rational calculation aimed at the maximisation of utility. They considered this principle to be universally valid: alone, it would have allowed the understanding of the entire economic reality’. (Screpanti *et al*, 1993, p.148)

This raises two important features of utilitarianism: firstly, subjectivism and secondly, the use of a mathematical method for rational calculation of choice. To understand these points, however, marginalism must be explored in more detail.

**(ii) (a) Marginalism**

The problem faced by those wishing to develop Smith's concept of use-value was the paradox of why the most useful things, like water and clothing, often had a relatively low price. Smith had overcome the problem by distinguishing between a use-value and an exchange-value, but this was not a satisfactory solution. As Galbraith has noted:

‘This distinction was arbitrary and superficial and too obviously ignored the myriad of shadings between the two. Clothing, at least in a cold climate, has a clear value in use. But at some point some of it surrenders its protective role and becomes mildly precious, like much jewellery. Food is needed and nourishing but can also be rare and exotic.....’ (Galbraith, 1987, p.107)

The recognition by both Jevons and Menger in 1871 of the principle of marginal utility solved the problems associated with Smithian notions of use-value. Marginal utility is distinct from general utility and enables the connection between use-value and exchange-value to be made. Galbraith (1987) explains marginal utility as follows:

‘It is not the total satisfaction from the possession and use of a product (or service) that gives it value; it is the satisfaction or enjoyment – the utility – from the last and least wanted addition to one's consumption that so serves. The last available scrap of food in a famine is exceedingly valuable and would command a worthy price; in conditions of abundance it has no value at all and goes out with the garbage.’ (Galbraith, 1987, p.108)

Marginal utility made it possible to isolate the utility which an individual, at any given time, attached to a given portion of a specific object. Jevons concluded that ‘successive increments reduce the utility of every unit. Total utility is thus

distinguished from degree of utility at any given point; and from this the concept of “final degree of utility” results’. (Roll, 1946, p.380)

#### **(ii)(b) Subjectivism and the Measure of Utility**

As noted earlier, subjectivism is a vitally important part of utilitarianism and, indeed, Jevons based his value theory entirely on utility and subjectivism:

‘A true theory of economy can only be attained by going back to the great springs of human action – *the feelings of pleasure and pain.*’  
(Jevons, 1866, in Gherity, 1965, p.345)

Jevons used the individual and his or her wants as the starting point for all analysis. He used Bentham’s pleasure and pain calculus:

‘Man is here regarded as a pleasure machine, his aim is to maximise pleasure. Utility is then defined as the quality possessed by an object of producing pleasure or preventing pain.’ (Roll, 1946, p.379)

Utility was used by both Jevons and Walras in a purely psychological sense and is not, therefore, an objective, intrinsic quality that exists outside of an individual’s perception. A commodity only has a high degree of utility if it is perceived to have a high degree of utility by an individual. It expresses, as Roll (1946) has pointed out, the relation between an object and a subject and this relationship can vary with each individual. Menger also had a subjective theory of value but one that was tempered with a degree of objectivity.

Jevons, Menger and Walras all agreed, however, that the value of labour is determined by the value of the product the individual produces and the value of the product is, in turn, determined by the marginal utility of the product. The problem remained as to how utility was to be measured and, for Jevons and Menger, value was expressed as price. Consequently, he examined the exchange process and arrived at a ratio of exchange:

‘...in equilibrium, that is in a position in which neither party can obtain any further advantage by continuing the exchange, marginal utility for each participant will be proportionate to price’. (Roll, 1946, p.380)

Each individual will have a different subjective evaluation of the same good depending upon his or her evaluation of self-interest and this evaluation will be measured by price.

In summary, the marginalists used price to measure subjective choices using marginal utility. The question remains, however, whether such an approach would be appropriate for a consideration of value in management consultancy. Before this can be answered, consideration must be given to the theory of human behaviour that underlies marginalism. The contention is that this theory is fundamentally flawed and makes application to the research questions highly problematic. The section below discusses this point in more detail.

#### **(ii)(c) The Economic Model of Human Behaviour and its Relation to Mathematical Methodology**

Drakopoulos points out that Menger and Jevons both viewed economic agents as fundamentally self-interested:

‘It is clear that apart from selfishness, satisfaction maximising is the other important characteristic of economic agents. Two further characteristics are added to complete the picture of economic man: infallibility and omniscience’. (Drakopoulos, 1991, p.77)

They both realised that this was an imperfect model of human behaviour but nevertheless used it because it fitted with their methodology:

‘Once more he (Menger) states that in real life other motives also exist (public spirit, love of one’s fellow men, custom, feeling for justice), but

in order to have an exact science of economics the economist assumes as motivations only those mentioned above.’ (Drakopoulos, 1991, p.77)

This is a fundamental flaw in neo-classical theory because it is based upon a problematic model of human behaviour. It does, however, fit naturally with the mathematical methodology used by the marginalists because a predictable theory of human behaviour is required as the basis of such a methodology. Beginning an article entitled “A Brief Account of a General Mathematical Theory of Political Economy”, Jevons wrote:

‘The following paper briefly describes the nature of a Theory of Economy which will reduce the main problem of this science to a mathematical form. Economy, indeed, being concerned with quantities, has always of necessity been mathematical in its subject, but the strict and general statement, and the easy comprehension of its quantitative laws has been prevented by a neglect of those powerful methods of expression which have been applied to most other sciences with so much success.’ (Jevons, 1866, in Gherity, 1965, p.345)

The attempt to liken economics to the natural sciences, especially physics, is clearly apparent and this tendency was common amongst the marginalists. As Screpanti *et al* have commented, ‘..economic laws finally assumed that absolute and objective characteristic of natural laws’. (Screpanti *et al*, 1993, p. 149)

Drakopoulos observes that applying mathematical method to behaviour in this way is also typical of a hedonistic approach to value:

‘The emphasis on the concept of demand and the attempt to analyse it, required a psychological model....Moreover, the trend towards a mathematical methodology demanded a well defined economic agent with standard and predictable behaviour. The hedonistic framework was a very good model for these purposes and thus during the

marginalist period, hedonistic ideas became more and more influential in economics.’ (Drakopoulos, 1991, p.50)

Such a model is not, however, necessarily an accurate one that produces reliable results. Drakopoulos also stresses that using this model of behaviour reduces ‘complex economic phenomena to simple facets (and) reduces the complexity of human behaviour to well-defined relatively simple hedonistic principles’. (Drakopoulos, 1991, p.55). Because it does not allow for the full range of human motivation, such a model is not sufficient for accurately reflecting individual consumer behaviour. The following brief discussion of Rorty’s (1982, 1989, 1999) work on pragmatism illustrates a philosophical view that treats human nature as complex.

Pragmatists reject the idea that human nature is pre-determined and does not vary over time. Instead they argue that each individual is formed by his or her own experiences and that human nature is therefore a matter of uncertainty because it is subject to change.

For the pragmatist, the idea of assuming any universal human attribute is alien. Indeed, the pursuit of absolutes such as “truth”, “knowledge” and “morality” is not a concern of pragmatism.

“Pragmatists think that the history of attempts to isolate the True or the Good, or to define the word ‘true’ or ‘good’, supports their suspicion that there is no interesting work to be done in this area”. (Rorty, 1982, p.xiv)

The same can be said of the search for “human nature”. Pragmatists do not believe that there is a universal quality that can be applied to every human being and that can be called Human Nature. Instead, there are only individual selves.

“Dewey showed us how to drop the notion of ‘the true self’.....He taught us to call ‘true’ whatever belief results from a free and open encounter of opinions...” (Rorty 1999, p.119)

An interesting illustration of this can be found in Rorty’s view of the educational process. He views education as a two-stage process. Firstly, there is pre-college education which involves basic learning and socialisation. The object of this stage is to produce literate citizens. Secondly, there is college education in which the student undergoes a process of individualisation through questioning accepted teaching. The object of this second process is to produce “self-creating individuals” (Rorty 1999, p.118):

“There is no such thing as human nature, in the deep sense in which Plato and Strauss use this term.....There is only the shaping of an animal into a human being by a process of socialisation, followed (with luck) by the self-individualisation and self-creation of that human being through his or her own later revolt against that very process.” (Rorty 1999 p.118)

The pragmatic view is that individuals are unique and each is formed by his or her own unique experiences. As a result of these experiences, individuals inevitably change and develop over time. It is unrealistic, in the pragmatic view, to take a trait such as opportunism and assume that it will not alter in any way over time.

Rorty has developed the idea of “the contingent self” by referring to the tension within philosophy between those who seek to achieve universality by denying contingency, and those who believe that self creation can only be achieved by recognising contingency.

According to Rorty, philosophers prior to Nietzsche attempted to find universal human traits and individual contingency was meaningless and futile beside this effort. So, for example, for Kant the “common moral consciousness” was the



centre of the self. Nietzsche, however, saw this approach as fundamentally flawed and urged, instead, that we concentrate upon describing ourselves in our own language in order to claim our own contingency.

“....he (Nietzsche) saw self-knowledge as self-creation. The process of coming to know oneself, confronting one’s contingency, tracking one’s causes home, is identical with the process of inventing a new language – that is, of thinking up some new metaphors. (Rorty 1989, p.27)

Rorty, however, turns to Freud for a more realistic view because, for Freud there is no such thing as the paradigm human being only “the idiosyncratic contingencies of our individual pasts.” (Rorty 1989 p34):

“Freud spends his time exhibiting the extraordinary sophistication, subtlety, and wit of our unconscious strategies. He thereby makes it possible for us to see science and poetry, genius and psychosis – and, most importantly, morality and prudence – not as products of distinct faculties but as alternative modes of adaptation” (Rorty 1989, p.33)

Rorty has interpreted the Freudian view of human nature to be one in which each individual’s past experience defines and moulds the present self. He finds this to be compatible with pragmatism: Nietzsche’s strong poet and Kant’s moral man can be seen as different selves.

By contrast to this rich vision, the view of human behaviour upon which marginalism and utilitarianism is based appears flat and one-dimensional. It is not, therefore, an appropriate perspective with which to address a complex service such as management consultancy. The decision to use consultancy, and which firm to use, is decided using a large amount of individual discretion. To be able to examine this decision and the rationale surrounding it, a less prescriptive approach is required.

### **(iii) Pluralism and Value**

As discussed above, the marginalists placed great emphasis upon price as a measure of utility. The question still remains, however, whether price is an adequate measure for value and this is discussed below in the context of pluralism.

The most fundamental objection to both the labour and the utilitarian theory of value is that by merely allowing for a monolithic, quantitative method of measuring value, little meaning can be attached to the results. There are many ways in which consultancy might be valued but merely explaining it through price is insufficient because it fails to allow for a qualitative assessment of its contribution.

There are contradictions in the assumptions that economists have made about value, not least that there is a single quality that can be called 'value' given the multiplicity of contexts in which it is used. As Johnson (1999) comments:

'Every aspect of human experience is pervaded with value. This makes the concept of value itself one of the most complex and difficult notions one could possibly undertake to analyse...In spite of all (the) philosophical and theoretical work, we seem to have no more than a superficial understanding of what value is...' (Johnson, 1999, in Benedikt 1999, p.5).

The call for a pluralistic conception of value has been loudest within the field of philosophy and is prominent in the work produced by Anderson (1993). Her work strongly criticises monistic theories of value and stresses instead the richness of a pluralistic theory which encompasses human responses to value and understandings of the concept:

'To attempt to reduce the plurality of standards to a single standard, ground, or good-constituting property threatens to obliterate the self-

understandings in terms of which we make sense of and differentiate our emotions, attitudes, and concerns. To adopt a monistic theory of value as our self-understanding is to hopelessly impoverish our responsive capacities to a monolithic “pro” or “con” attitude or to mere desire or aversion.’ (Anderson, 1993, p5)

This is a criticism that is also made by Blaug (1962) when he points out that Bentham saw ‘utility’ as a feeling of happiness that individuals and society as a whole should maximise. This broad vision, however, became diluted in the hands of the economists where quantitative difference alone could be measured and qualitative difference was ignored:

‘...in the course of the nineteenth century this down-to-earth definition of utility was purged of its older psychological connotations and reduced to a mere choice-indicator’. (Blaug, 1962, p337)

Anderson presents an alternative to the ‘choice-indicator’ that is compelling because it is based upon the much broader, and more realistic, base of human responses to value. It allows for a plurality of evaluative attitudes such as admiration and appreciation, a plurality of values and standards, such as beauty and loyalty, a plurality of contestable ideals, and a plurality of different kinds of goods.

Anderson is heavily influenced by pragmatism and so rejects the notion that value has a universal ‘essence’. Value, therefore, varies with context and situation:

‘The pluralist-expressive theory yields a pragmatic theory of comparative value judgements. The theory is called pragmatic because it represents comparative value judgements as constructed for particular purposes, rather than as discovered in the intrinsic natures of the items being compared or in their immediate relation to some response in us, such as preference or pleasure. The pragmatic character of comparative

value judgements follows from the fact that the goods it compares are extrinsically valuable. They derive their importance or action-guiding relevance from the decision frame in which they appear. (Anderson, 1993, p.47)

The importance of placing a value judgement in its context is apparent from recent work produced by writers on management theory. For example, Normann *et al* (1993) took Porter's (1985) conception of a value chain and developed the concept of the 'value constellation'. The term 'value' is used liberally but is nowhere defined other than by context.

'IKEA wants its customers to understand that their role is not to *consume* value but to *create* it....IKEA invents value by enabling customers' own value-creating activities. As one company brochure puts it, "Wealth is (the ability to) realise your ideas'. (Normann *et al* 1993, p.67)

In the context of IKEA, value means one thing but in the context of automatic teller machines at banks, it means something else:

'The reconfiguration of the cash-withdrawal transaction offered customers a qualitatively new kind of value. In particular, it eliminated traditional constraints of space and time'. (Normann *et al*, 1993, p.69)

Given the difficulty of defining value and allowing for the numerous ways it can be used, such flexibility is reasonable. To describe value purely in terms of price, as the marginalists had done, would capture none of these variations. A more flexible and pluralistic approach to value than that adopted in the field of economics would be more appropriate in the context of management consultancy.

## **Summary**

Theories of value developed in the field of economics are considered problematic because they do not take account of the complexity of human behaviour. Contrary to economics, human behaviour is seen here as complex and not, it is argued, always driven by 'rational' decisions. A rational choice indicator that uses price alone does not, therefore, adequately explain decision-making about value. A pluralistic conception of value is preferred because this enables the term 'value' to be given the meaning appropriate not only to its context, but also to the individual making the judgement.

On this basis no assumptions are made about the motivations that can be ascribed to executives when they engage consultants or the way that they assess the value received from consultancy services. Such value may not always be judged by executives in terms of price or motivated by opportunism. Indeed value could be judged in a number of ways because the values and motivation of each executive will vary. As executives become more senior within a hierarchical organisation, their autonomy increases and, with it, the freedom with which they are able to exercise personal subjectivity in pursuit of their objectives. It is important therefore to acknowledge the full extent of their value choices because this will allow a greater understanding of the data and an appreciation of its depth.

## CHAPTER FOUR

### APPROACHES TO SOURCING

#### **Introduction**

The previous chapter discussed the subjectivity involved in individual value choices because they deepened understanding of executive use of consultancy services. This chapter, in contrast, examines the objective approaches to sourcing that are found in literature produced by Procurement professionals and others. This chapter therefore establishes the viewpoint from which Procurement approaches the regulation of goods and services into the organisation.

The procurement literature contains two approaches to engaging third party suppliers. Both of these are ‘rational’ and objective methodologies that are designed to provide both transparency and defined benefits. Firstly, process-driven models of procurement drawn from two standard textbooks are examined. A more recent approach aimed specifically at business services is also discussed within this section. Secondly, relational approaches to supply are examined. Within the latter section, industrial economics and supply network relationships, within which rational processes are embedded, are also discussed. Other influences, such as power and network features are also considered.

All these approaches, both process-driven and relational, aim to minimise subjectivity and provide objective models and methodologies that are designed to allow the firm to maximise the value received from its supplier relationships. These approaches are objective and ‘rational’ in the sense that they are designed to benefit the organisation rather than the individual. Conversely Chapter Two highlighted the political aspects of management consultancy use. Clients of consultancy services can use such services for purposes that effectively benefit the individual and such value is assessed from a subjective viewpoint. This chapter therefore establishes a different reference point and one from which procurement professionals operate.

### **(i) Procurement Process Models**

Baily *et al* (1998) point out that a well-known definition of procurement objectives is:

‘...to purchase the right quality of material, at the right time, in the right quantity, from the right source, at the right price.’ (Baily *et al* 1998 p. 15)

They further observe that although this phrase is ‘hackneyed’ it nevertheless provides a useful framework. It is useful because it highlights elements important to the procurement process such as quality, timeliness, quantity and cost.

Baily *et al* begin their discussion of quality as follows:

‘Product or service quality is increasingly seen as a “qualifier” which must be demonstrably attainable before a supplier can merit consideration. Unless specifications can be understood and consistently met, a potential supplier is unlikely to win business from a buying organisation taking a professional view of the need to do business only with vendors who are....able to respond to the particular needs of customers....Firms need to convince their customers that they can meet quality requirements *before* they can compete on price...’ (Baily *et al* 1998 p.87)

For Baily *et al* quality means ‘fitness for purpose’ or ‘suitability’. They stress that a specification can be either too high or too low and illustrate this using the well-known analogy that there is little point paying for a Rolls Royce when a Ford will fulfil the requirement. This leads them to state that the concern of

supplies staff is two-fold: to ensure quality of design or specification and then to ensure conformance quality.

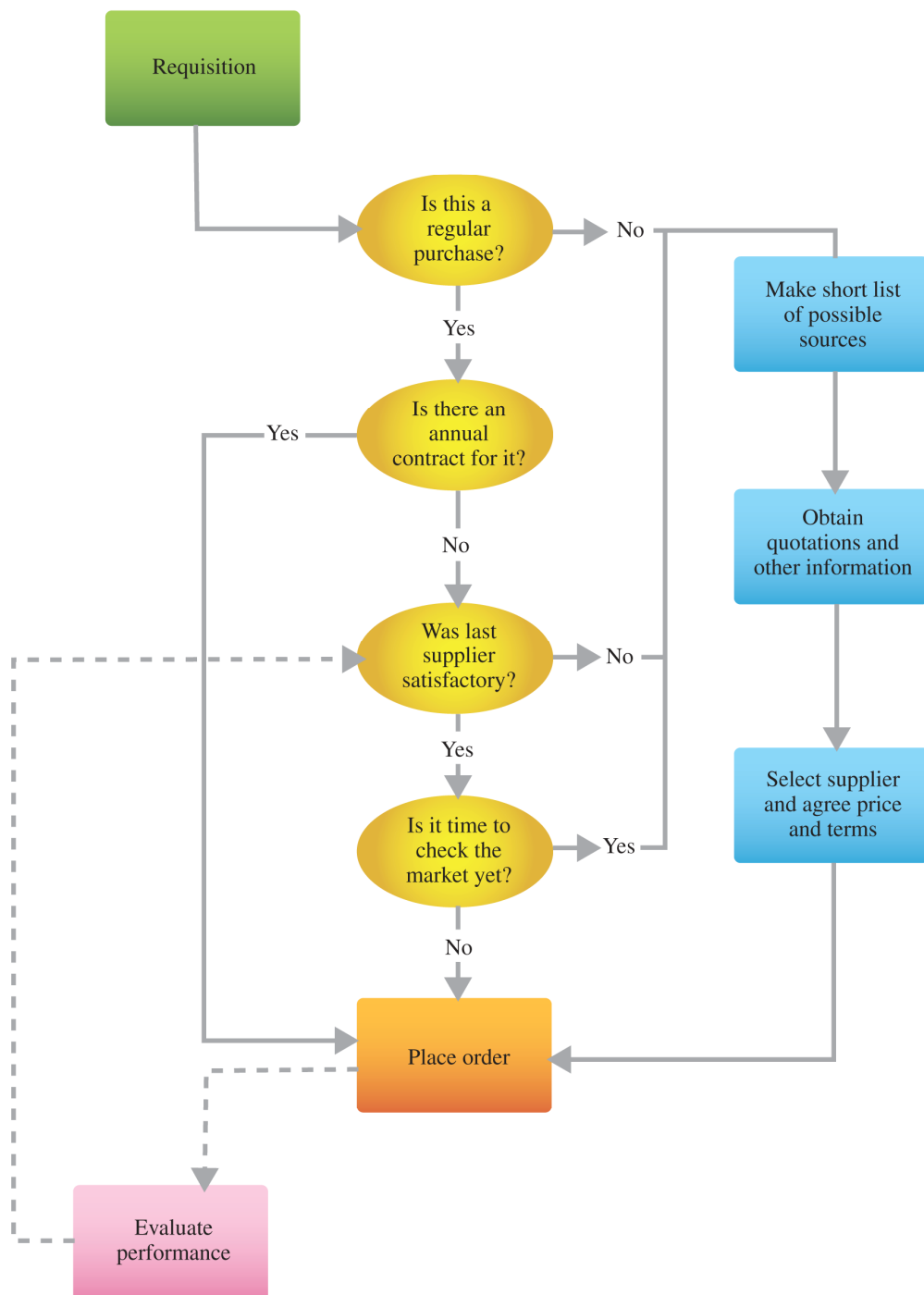
To ensure supplier quality, Baily *et al* set out a traditional approach to sourcing decisions in Figure 4.1. It shows a rational decision-making framework that is dominated by process and founded on a specific definition of value.

In assessing suppliers, they suggest that factors such as past performance, reputation, visit and appraisal, third party certification, and evaluation of sample products be considered. The objective is to find a supplier who will deliver on time and provide consistent quality of product and service.

The assessment of value includes an important element relating to price. The initial definition of procurement objectives referred to the 'right price' and Baily *et al* point out that this is vague. In the context of a company operating in a market economy, however, there can be little doubt that this means a low price that will either increase bottom-line profit or allow the company to offer its product at a lower price than its competitors in the market. The challenge for successful procurement is to balance cost and quality and this is acknowledged in the definition given of Value Analysis and Value Engineering:

‘The same technique is referred to, with the same aim of increasing value for money, whether by reducing the cost of providing a part, product or service to satisfy given needs or by increasing the satisfaction resulting from a given part, product or service.’ (Baily *et al* 1998 p.105)





**Figure 4.1**  
**SUPPLIER SELECTION**  
 Baily, P., Farmer D., Jessop, D., Jones, D., (1998) *Purchasing Principles & Management*  
 eighth edition, London: Pitman Publishing.p.145

Similar approaches in terms of both a concentration on process and the same value orientations can be found in the work of other writers.

For example, Van Weele (2000) describes the purchasing function in the following terms.

‘It involves determining the need, selecting the supplier, arriving at a proper price, specifying terms and conditions, issuing the contract or order, and following up to ensure proper delivery. In short, the purchasing function should obtain the proper equipment, material, supplies and services of the right quality, in the right quantity, at the right price and from the right source.’ (Van Weele, 2000, p.14)

The similarity with Baily *et al* can be seen in the stress on process and the elements of value that Purchasing should deliver. The main activities of purchasing departments are illustrated in the following diagram that has been adapted from Van Weele (2000).



**Figure 4.2**

**PURCHASING PROCESS (adapted)**

**Van Weele, A.J. (2000) *Purchasing and Supply Chain Management. Analysis, Planning and Practice*. Second Edition. Business Press Thomson Learning p.15**

Using an analysis of DuPont, the importance of the purchasing contribution to Return on Net Assets is demonstrated in two ways.

- Reduction in all direct material costs leading to an improvement in sales margin, through for example, competitive tendering or finding substitute materials.
- Reduction of the net capital employed by the company leading to a positive impact on the company's capital turnover ratio. This might be achieved through achieving longer payment terms, leasing instead of buying, or reduction of inventory through just-in-time agreements with suppliers.

In terms of value to the company, Van Weele concludes:

‘...purchasing policies fundamentally contribute to business success in several ways. First, purchasing policies can significantly improve sales margins through realising substantial cost savings. A dollar saved in purchasing is a dollar added to the bottom line. Second, through better quality and logistics arrangements with suppliers, purchasing can contribute to a higher capital turnover ratio. Third, suppliers may contribute, when addressed properly, significantly to the company's innovation processes....even small improvements in the relationship with suppliers may have a significant impact on the company's return on net assets.’ (Van Weele, 2000, p.20)

Van Weele also points out that substantial indirect savings can be made through standardisation, stock reduction, product and process innovation, reduction of quality costs and production lead times.

For Van Weele, then, purchasing is concerned with obtaining all the goods that are necessary for running and maintaining the company, which in principle includes contracting services. Value is clearly seen in rational terms as a tangible benefit that contributes to more efficient and cost-effective operations.

A more sophisticated approach to value assessment is evident in Axelsson and Wynstra (2002). The procurement of services is specifically addressed and, although a set process is prescribed, elements within it allow for more diversity in the assessment of value. Axelsson and Wynstra observe that purchasing is usually described as a rational decision process with several consecutive steps and they suggest the following steps and tools to achieve a successful outcome.

- Specification phase
- Supplier selection and evaluation
- Contracting business service providers: Pricing negotiations and payment

For the specification phase, Axelsson and Wynstra suggest various ways that this could be done.

- Setting service levels;
- Specifying the input, i.e. the resources to be provided by the supplier;
- Specifying process or throughput, i.e. how the assignment should be fulfilled;
- Specifying the output, i.e. the expected results or function;
- Specifying the outcome, i.e. the value of the service to the client in monetary terms.

For supplier selection and evaluation, a model for data capture is suggested. Various evaluation models are suggested. These could be, for example, a weighted point method combining quantitative and qualitative methods, or an assessment of the total cost of ownership. Processes such as these are disciplined and rigorous. They are designed to identify value and ensure delivery. The approach outlined by Axelsson and Wynstra provides more detail than that of Van Weele, but has in common with it the rationality of a structured process.

Axelsson and Wynstra set out three starting points for determining price: production cost; market situation and value to the customer. Depending on context, these elements will affect price to a greater or lesser extent. The discussion of value is particularly interesting because it sets out a methodology that allows for a variety of different value elements to be included in the decision-making process.

For example, a natural first step for a value analysis is to list all possible effects that the product offering will have in terms of benefits and costs. The approach encourages consideration of the indirect effects of the offering, e.g. effects on the customer's customer, working environment, competitive strength and long-term market position. Although it is stated that the attempt to attach economic values to these elements should be made, allowance is also made for consideration of elements for which this will be extremely difficult.

‘Step three is to sort out the other direct or indirect effects that are difficult to evaluate economically. These may be “aesthetic” experiences or “peace of mind” associated with a particular (e.g. branded) offering, but also more tangible factors that are still difficult to value, such as effects on personal health and well-being. It is important to list those issues that cannot be attributed with any economic value in a meaningful way, so that they are included in the final evaluation.’  
(Axelsson and Wynstra, 2002, p.195)

Axelsson and Wynstra conclude that, although services vary greatly, ‘it is evident that basic purchasing management principles also apply to services’ (Axelsson and Wynstra, 2002 p.266). Value therefore remains an objective construct that is directly related to optimising company performance.

From discussion of the models above, value in procurement terms equates to engaging with the supplier who can provide the best quality for the least cost. The standard processes of setting a specification, evaluating the market, assessing a number of offers from suppliers and negotiating in a competitive

situation are all used to achieve optimum levels of value in these terms. The balance between quality and cost is, however, a complex equation that will vary with each situation.

Process driven models of procurement, however, are not the only strategies available to procurement professionals. In appropriate situations, relational approaches to managing supply can be adopted. These approaches are discussed below.

## **(ii) Business Relationships**

There are a variety of ways of managing supply relationships with external firms depending upon the strategic nature of the supply. The following discussion looks initially at approaches developed in the area of industrial economics to understand the best way of managing supply. The discussion then moves to networks and finally to the notion of supply relationships as a continuum ranging from distant at one extreme to close at the other. The development of this into work on partnerships and value transparency is also discussed. Finally, managing a portfolio of relationships according to their strategic importance is discussed.

### **(a) Industrial Economics**

The origins of Transaction Cost Economics (TCE) can be traced back to an article by Coase (1937) in which he sought to explain why firms emerge within market economies. Coase suggested that markets were expensive for some transactions and that it is more effective to form organisations. TCE is now largely associated with Williamson (1975, 1996). Its central concern is to match each type of transaction made by a firm with the most appropriate governance structure and, in this way, provide optimum operational efficiency. Governance structures may be markets; hierarchies; hybrids or bureaus, and efficiency can be achieved by mitigating risks and reducing transaction costs.

According to Williamson, the most dangerous risks faced by any firm are those posed by the behavioural uncertainties and cognitive limitations of the human agents involved. TCE does not, however, see business relationships in an embedded social context and has a limited view of human behaviour. In keeping with its foundation in economics, TCE views economic agents as fundamentally self interested, atomised individuals. In this way, it reduces the complexity of human behaviour so that it may become predictable.

As its name suggests, within TCE the transaction is taken as the basic unit of analysis. This is broken down into three constituent features, all of which are relevant in determining the most appropriate governance structure. These three elements are: asset specificity, uncertainty, and the frequency of transactions. Of these three, asset specificity is seen as the most important.

Asset specificity refers to the extent to which an asset can be re-deployed. Where there is a high degree of asset specificity, Williamson suggests that vertical integration is the most appropriate governance structure. This will have the effect of lessening uncertainty and mitigating risks through direct hierarchical control. Conversely, low asset specificity combined with infrequent transactions would make the market the most efficient governance mechanism.

TCE is largely concerned with governance mechanisms and discusses business relationships only as far as is necessary to explore this particular area of interest. In essence, it provides a stark choice between one extreme and another: the flow of goods and services through the firm may be governed either by markets (the 'buy' option) or through vertical integration (the 'make' option). Although Williamson allows for a middle ground of 'relational contracting', TCE does not explore business relationships in depth as an important governance structure and a way of attenuating opportunism.

Other approaches within industrial economics have a similar focus and approach.

Cox (1996) takes Williamson's work on TCE as the basis for his own work on strategic procurement management. Like Williamson, Cox adopts the conception of the firm as a governance structure in which the key strategic decision concerns the most appropriate method of contracting with potential suppliers. Such an approach forces consideration of the proper boundaries for the firm. For Williamson, and Cox, such a choice will always be made with reference to the scope for economising because the firm exists as an entrepreneurial entity. In this sense, firms are seen as flexible and fluid. Their internal structures and external boundaries will shift according to prevailing conditions and opportunities.

Cox (1996), however, differs from Williamson in his view of asset specificity. For Cox, it is wrong to define such assets as the sunk cost of past transactions. Instead, he proposes an approach based on skills that are embedded within an entrepreneurial view of the firm.

Cox also gives more credence to business relationships than Williamson. He suggests that medium asset specificity is a grey area that allows for a range of supplier relationships. These range from adversarial leverage to partnership sourcing, and the factors that should influence the choice of relationship are twofold.

Firstly, the degree to which firms can operate at arms-length balanced against the desire to vertically integrate. Secondly, Cox argues that power influences the choice of relationship strategy and his treatment of power will now be discussed.

For Cox *et al* (2000) it is the concept of power which allows managers to understand the workings of supply chains. 'Power' is defined as 'the ability of one actor to adversely affect the interests of another'. (Cox *et al*, 2000, p.xi) It is argued that every firm is involved in power relationships and its ability to manage these effectively has a direct impact on profitability. This line of reasoning builds on earlier work by Cox (1997) in which it was argued that



business success depends upon owning, controlling and leveraging scarce material resources that cannot easily be imitated.

Taking all this into account, the question for Cox *et al* (2000) is ‘what, analytically, is the power regime that has to be managed in the extended network of dyadic buyer and supplier exchange relationships in the chain’. (Cox *et al* 2000 p.39). In this context four basic types of power relation are identified:

- Buyer dominance
- Supplier dominance
- Buyer/supplier interdependence
- Non adversarial collaborative

These power relations result in four ‘basic relationship management choices’ that need to be made:

- Adversarial arms-length
- Non adversarial arms-length
- Adversarial collaborative
- Non adversarial collaborative

If the balance of power were to change, a different relationship would become more appropriate. However, the objective of the buyer should always be to influence the market and create a situation where he or she is dominant and can exercise that power to advantage.

Porter’s (1980, 1985) approach to achieving competitive advantage is based on a view of the firm that is similar to Cox. Porter identifies five competitive forces which a firm must manage using three generic strategies of cost leadership, differentiation and focus. In common with Williamson and Cox, the firm is seen to exist alone in a hostile and faceless environment.

Writers within the category of industrial economics take a transactional approach to exchange. This provides a limited view of business relationships that makes it inappropriate for addressing management consultancy. By their nature, many of the exchanges between consultants and their clients are intensely personal and transactional approaches fail to take account of this context. Individuals are seen as one-dimensional economic agents and this does not adequately account for the complexity of human behaviour.

## **(b) Networks**

Writers within the Industrial Marketing and Purchasing (IMP) Group developed the 'interaction approach' for studying business-to-business marketing.

The interaction approach stresses that the relationship between two active parties is the relevant unit of analysis and makes two assumptions: (i) that all companies have relationships with their suppliers or customers which must be managed, and (ii) that each company is enmeshed in a complex web of relationships.

### **(b) (i) The Relationship**

In an early article Hakansson and Wootz (1979) describe the kind of close relationships that are developed over frequent exchanges.

'Each partner is handled individually, where one partner tries to adapt to the activities of the other. In other words, there are activities, and reactions to the reactions. One can say that both partners actively interact. A consequence of this interaction is that often very close and lasting relationships develop' (Hakansson and Wootz, 1979, p.28)

In a later article, Hakansson and Snehota (1992) stress the complexity of business relationships and the need to understand the facets and layers involved. They examine relationships using the two dimensions of 'function' and

‘substance’ and view relationships as variables that can take on different values depending on these elements.

Within the element of substance, Hakansson and Snehota identify activity links, resource ties and actor bonds. The intensity of these can be greater or lesser and will change the nature of the relationship accordingly. Similarly, the interplay between the layers will affect the dynamics of the relationship.

- (i) Activity links develop when two companies build up a relationship and certain of their technical, administrative or commercial activities can become linked to each other.
- (ii) Resource ties refers to the effect on the way that two companies in a relationship utilise their resources. Some resources may become combined and, over time, become specifically oriented towards each other.
- (iii) Actor bonds have an effect on what the parties know about each other and what they can exchange. ‘There is always a margin for beliefs and trust that in the end become essential for the commitment. The development of trust is a social process typical for relationship development.’ (Hakansson and Snehota, 1992, p.160)

Such relationships, according to Hakansson and Snehota, provide valuable advantages for companies. The dyad exists as a ‘quasi-organisation’ that is more than the sum of its parts because the existing links, ties and bonds enable companies to perform activities and utilise resources that neither of them would be able to access in isolation.

In addition, say Hakansson and Snehota, every relationship has a network function. Because relationships are connected, change in one relationship may affect other relationships and companies and this will now be discussed.

### (b) (ii) The Network

The following discussion shows how the importance of the IMP's network focus dominates its research agenda.

Ford *et al* (1997) insist that it is necessary to take a 'relationship view' of the company and that the following three perspectives are required.

- (i) The company as an interdependent activity unit.
- (ii) The company as an interdependent resource unit.
- (iii) The company as network identity. That is, seeing the company as an identity within a network of relationships. The company's network position consists of its portfolio of relationships and the activity links, resource ties and actor bonds that arise from them.

The latter reveals the IMP's true focus of interest on industrial networks.

'The focus of research is, ultimately, the network and not the firm or individual relationship, although firms and relationships must be studied if networks are to be understood.' (Easton, 1992, p.102)

Relationships merely form the unit of analysis for a wider perspective of industrial networks and are always seen in this context. This is illustrated below.

Anderson *et al* (1994) examine dyadic relationships to show the embedded context in which they develop. Dyadic relationships have primary functions such as efficiency improvements through the inter-linking of activities, and the adaptation of activities to deliver efficiency increases, such as just-in-time inventory. However, these relationships also have secondary network functions.

- (i) Innovations developed as a result of interaction in several relationships.
- (ii) By getting close to its partners, a focal firm may have its views shaped by, and shape the views of, its partners.

In addition, Anderson *et al* (1994) contend that firms develop network identities which capture the attractiveness (or not) of a firm as an exchange partner. This identity is based on its relations with other firms and the consequent links to activities and ties to resources.

‘...every relationship should be viewed as being part of a network. The identity of the firm is embedded in the network through its relationships, which are connected to each other.’ (Ford, 1997, p.234)

Two constructs are proposed that capture the connectedness of the focal relationship, as perceived by each partner firm.

- (i) Anticipated constructive effects on network identity: anticipated resource transferability; anticipated activity complementarity; anticipated actor-relationship generalisability.
- (ii) Anticipated deleterious effects on network identity: anticipated resource particularity; anticipated activity irreconcilability; anticipated actor-relationship incompatibility.

They conclude:

‘By building out from focal dyadic relationships to consider effects of their embedded network contexts, we attempt to enrich the study of exchange relationships in marketing, which largely has had a dyadic atomisation character.’ (Ford, 1997, p.249)

The IMP group is primarily interested in business networks and examines business relationships but sees them always in the context of a network of other

relationships. In their view, no firm exists in a vacuum and the IMP view of firms as constantly 'interacting' means that, for them, it is the network that is the focal point of interest. The network is seen as a way for a firm to access further resources and expertise and, through adaptation, potentially develop unique processes. It is therefore a source of added value that a firm must manage to advantage.

In addition, the IMP approach to dyadic relationships is possibly more appropriate to a manufacturing context than management consultancy because it assumes a level and frequency of contact that is uncharacteristic of consultancy services. Halinen (1997) encountered this problem when researching the relationship between advertising agencies and their clients and is critical of the lack of empirical research and theoretical models of relationship development within the area of professional services. Karantinou and Hogg (2001) also point out that IMP concepts are based on research carried out in the manufacturing sector. As such, they may not have universal application.

Halinen does, however, apply the IMP approach within a service industry, specifically the advertising industry, but only after making appropriate adjustments.

'The role of technology, physical materials and investment is much less significant than in typical manufacturing industries....Consequently somewhat different factors are accentuated in agency-client relationships than in typical industrial buyer-seller relationships.'  
(Halinen, 1997, p.300)

In particular, the importance of individuals is stressed.

'In buying advertising services, companies purchase knowledge and creativity embodied in individual people.' (Halinen, 1997, p.28)

In classifying advertising services as 'knowledge-intensive' Halinen identifies the similarity between management consultancy and advertising. The stress on the value provided by individuals is appropriate to both types of services.

Other approaches within the business relationships literature have a similar focus on manufacturing.

Interest in networks is also apparent in the work produced on network sourcing. Such work does not, however, have the same interest in industrial markets as IMP but focuses instead on the development of supplier networks. It is based on observations of the practices in Japanese manufacturing. The following discussion describes the characteristics of network sourcing that provide value.

Hines (1995) notes that single sourcing in Japan is not as widespread as generally believed in the West. Whilst there is always a choice between single sourcing and multiple sourcing, the Japanese have a hybrid called a network. The differentiator in network sourcing is the *kyoryoku kai* or Supplier Association and this is vital to the success of the network. It is defined as follows and its primary function is to improve process.

‘...a mutually benefiting group of a company’s most important subcontractors, brought together on a regular basis for the purpose of co-ordination and co-operation as well as to assist all the members to benefit from the type of development associated with large Japanese assemblers: such as kaizen, Just-in-Time, kanban, U-cell production and the achievement of zero defects.’ (Hines, 1994, quoted in Rich and Hines, 1997, p.218)

These associations bring about radical changes in supplier performance and behaviour, particularly the rapid introduction of new technologies and practices. They are crucial in supporting time-based competitive strategies in the consumer market in three ways.

Firstly, the strategy of long-term supplier collaboration focuses on the quality, total acquisition cost and delivery of products. This ensures the continued efficiency of the purchasing organisation as well as attempting to establish new capabilities.

Secondly, the structure of the supplier association is such that it facilitates exposure to new ideas that can be trialled in the most efficient manner without duplication of effort.

Thirdly, the behavioural aspects of the supplier association allow the formation of a 'coalition of interest without the political dynamics associated with the management of a single company'. (Rich and Hines, 1997, p.221)

#### **(c) Obligational Contracting**

Sako (1992) has developed models of transactional patterns following research within the Japanese automotive industry. These models are termed Arm's Length Contractual Relations (ACR) and Obligational Contractual Relations (OCR). They are ways to manage trading relationships in a context where uninterrupted supply of physical materials and investment in new technology are vitally important considerations. These considerations drive the definition of value.

ACR, as the name suggests, describes a relationship where the partners transact at a distance without wishing to make any special concessions to the relationship. The framework surrounding such a relationship is formal and each party's obligations are documented as fully as possible within a written legal contract. Any disputes are also managed within this formal framework using external parties and with reference to universalistic rules. ACR would, typically, be transactions governed by the market and with low switching costs.



Conversely, an OCR-type relationship is less formal. Each party's duties within the relationship are loosely documented, or not documented at all, because each party trusts the other to behave in a way that is not opportunistic.

‘Even if the tasks and duties of each trading partner are negotiated, agreed and clearly spelt out in a contract before trading relationships commence, there is an incentive to deviate from them, to do more than is expected by the trading partner. Such an incentive results from expectations that the act of goodwill will lead to a similar response from the trading partner.....’ (Sako, 1992, p.9)

Sako describes the degree of interdependence and time span for reciprocity as capturing the essence of OCR and ACR: interdependence will be high in OCR-type relationships but low in ACR-type relationships. Timespan for reciprocity is long in OCR but short in ACR.

The reason for these differences is largely because OCR relationships are based upon what Sako terms ‘goodwill trust’. This is distinguished from ‘contractual trust’ or ‘competence trust’:

“‘Goodwill trust’ is a sure feeling that trading partners possess a moral commitment to maintaining a trading relationship. It may manifest itself in not taking unfair advantage of one’s circumstances (for which shared principles of fairness exist) and in offering preferential treatment or help whenever the need arises’. (Sako, 1992, p.10)

Such trust ‘cements’ the relationship and can only be developed over time. Trading relationships that have a high degree of goodwill trust are characterised by high amounts of discretion being given to suppliers by buyers who are also allowed to undertake initiatives but all the while, refraining from opportunism.

The features of ACR and OCR trading relationships are summarised in the table below.

ACR	OCR
<p><b>(A) Transactional dependence</b>  <b>Buyer</b> seeks to maintain low dependence by trading with a large number of competing suppliers within the limits permitted by need to keep down transaction costs.  <b>Supplier</b> seeks to maintain low dependence by trading with a large number of customers within limits set by scale economies and transaction costs.</p>	<p>For a <b>buyer</b>, avoidance of dependence is not a high priority; it prefers to give security to a few suppliers, though may still dual or triple source (some from a fringe group of suppliers with whom it has ACR relation) for flexibility.  For a <b>supplier</b>, avoidance of dependence is not a high priority, but it may well have several OCR customers (plus, perhaps, a fringe group of ACR customers).</p>
<p><b>(B) Ordering procedure</b>  Bidding takes place; buyer does not know which supplier will win the contract before bidding. Prices negotiated and agreed before an order is commissioned.</p>	<p>Bidding may or may not take place. With bidding, buyer has a good idea of which supplier gets which contract before bidding. Without bidding, there is a straight commission to supplier. Prices are settled after decision about who gets the contract.</p>
<p><b>(C) Projected length of trading.</b>  For the duration of the current contract. Short-term commitment by both buyer and supplier.</p>	<p>Continued beyond the duration of the current contract. Mutual long-term commitment.</p>
<p><b>(D) Documents for exchange</b>  Terms and conditions of contract are written, detailed and substantive.</p>	<p>Contracts contain procedural rules, but substantive issues are decided case-by-case. Contracts may be oral rather than written.</p>
<p><b>(E) ‘Contractualism’</b>  Contingencies are written out and followed strictly.</p>	<p>Case-by-case resolution with much appeal to the diffuse obligation of long-term relationships.</p>
<p><b>(F) ‘Contractual Trust’</b>  Supplier never starts production until written orders are received.</p>	<p>Supplier often starts production on the basis of oral communication, before written orders are received.</p>
<p><b>(G) ‘Goodwill Trust’</b>  Multiple sourcing by buyer, combined with supplier’s low transactional dependence.</p>	<p>Sole sourcing by buyer, combined with supplier’s transactional dependence.</p>
<p><b>(H) ‘Competence Trust’</b>  Thorough inspection on delivery; the principle of <i>caveat emptor</i> predominates.</p>	<p>Little or no inspection on delivery for minor parts. (Customer may be involved in establishing supplier’s quality-control systems)</p>
<p><b>(I) Technology transfer and training</b>  Only the transfer, training or consultancy which can be costed and claimed for in the short run occurs.</p>	<p>Not always fully costed, as benefits are seen as partly intangible and/or reaped in the distant future.</p>
<p><b>(J) Communication channels and intensity</b>  A narrow channel between the buyer’s purchasing department and the supplier’s sales department, with frequency kept to minimum necessary to conduct business.</p>	<p>Extensive multiple channels, between engineers, quality assurance personnel, top managers, as well as between purchasing and sales managers. Frequent contact, often extending beyond the immediate business into socialising.</p>
<p><b>(K) Risk sharing</b>  Little sharing of risk; how risk, resulting from price and demand fluctuations, is to be borne by each party is spelt out in explicit prior agreement.</p>	<p>Much sharing of risk, in the sense that the relative share of unforeseen loss or gain is decided case-by-case, by applying some principle of fairness.</p>

Table 4.1  
**FEATURES OF ACR-OCR PATTERNS**  
Sako, M. (1992) *Prices, Quality & Trust*, Cambridge UK: Cambridge University Press. p. 11-12

OCR relationships have the capacity to increase operational efficiency by reducing the cost of the relationship, improving technology transfer, and reducing uncertainty.

Nishiguchi (1994) also found that Japanese buyers were likely to foster long-term relationships with specific suppliers, and to take a pro-active approach to supplier management. Such a pro-active approach included bilateral agreements on price, joint problem solving, and a move away from exploitative relationships based on price towards “collaborative manufacturing” (Nishiguchi, 1994, p125).

Such close relationships are not, however, without difficulty. Cousins and Crone (2003) observe that the increase in complex exchanges involving knowledge-based products necessitates the sharing of sensitive information. As a result, obligational contracting has increased in importance.

However, using a study of the UK automotive industry, they note that suppliers are wary of dependency on only one customer. This is referred to as ‘enlightened’ buyers and ‘reluctant’ suppliers. Cousins and Crone therefore propose a model for the development of obligation exchange relationships based on the type of dependency that each party is prepared to accept.

### **Partnership**

The term ‘partnership’ is used very widely and in a number of contexts. Indeed, Cox (1995) believes that it causes so much confusion that it is safer not to use it at all. Cousins (1995) also sees that a major problem in understanding and implementing ‘partnership’ is that it has ‘become perhaps one of the most misused and abused concepts of the 1990’s...the concept has become so generalised that it risks becoming a meaningless concept.’ (Cousins, 1995, p.93)

It is necessary, however, to review the literature on partnering because it is substantial in its volume and significant in its contribution.

Boddy *et al* (1998) observe that the benefits claimed for partnering are numerous, particularly when companies are operating in competitive and volatile environments. For example, innovation is expected to be faster because information sharing by key players in the design stage reduces the time required to bring new products to market. Similarly quality can be enhanced through the more open process improvement which takes place in effective partnering. Some writers support this view while others are more cautious. Both positions will be reviewed.

Lamming (1993) describes a four-phase model of customer-supplier relations in the Western automotive industry:

- Traditional (pre-1975)
- Stress (1972-1985)
- Resolved (1982 onwards)
- Partnership/Japanese (1990 onwards)

These stages mark a gradual transition from traditional adversarial relationships to ones characterised by co-operation. Features of the partnership phase include the arrangement of suppliers in tiers. A supplier towards the top of a tier has a 'solid, long-term relationship with its customers and knows that it must constantly provide better service: the security of remaining a supplier to any particular customer is provided not by right but by fulfilling expectation.' (Lamming, 1993, p.170) Co-operation with both other suppliers as well as customers is essential to such a relationship.

Traditional methods of placing business, such as competitive tendering, are not considered appropriate in partnerships. Existing suppliers with proven histories of performance will be chosen and alternative methods of ensuring that the lowest cost has been secured will be used. There is open discussion of costs and customers are clear about the genuine position on vehicle build. Information exchange is therefore a key part of partnership relationships (Lamming, 1993).

A stage beyond partnership has been identified and this has been called 'lean supply' (Lamming, 1993). Whilst partnership remained essentially an unequal alliance, lean supply requires a 'fundamental shift of position within the partnership....The supplier, instead of applying all its efforts to the pursuit of price increases and beguiling the customer, directs its attention towards a new strategy of equality – leading its customers technologically in areas which it knows best and is best suited to explore'. (Lamming, 1993, p.209). This will lead to efficiency increases.

Other writers also stress the advantages of partnerships. Ellram (1995) defines a purchasing partnership as:

'An agreement between a buyer and a supplier that involves a commitment over an extended time period, and includes the sharing of information along with a sharing of the risks and rewards of the relationship' (Ellram, 1995, p.10)

The advantages are specifically listed as follows.

## **POTENTIAL ADVANTAGES OF FORMING PURCHASING PARTNERSHIPS VERSUS ADVERSARIAL RELATIONSHIPS**

### **MANAGEMENT**

1. Reduced supplier base is easier to manage
2. Increased mutual dependence lowers risk of losing supply source and creates greater stability through increased supplier loyalty
3. Reduced time looking for new suppliers/gathering competitive bids
4. Allows for joint planning and information sharing based on mutual trust and benefit
5. Loyalty may increase supplier attention and customer service in areas such as:
  - Lead-time reliability
  - Priority in times of scarcity
  - Increased attention when problems arise
6. Greater co-operation from suppliers to support the firm's strategy

### **TECHNOLOGY**

7. Partners may be more willing to share/give access to technology
8. Partners may be more willing and capable of participating in product design based on knowledge and commitment to the other partner
9. Supplier knowledge/involvement in design may:
  - Improve quality
  - Reduce time to market for new products or design changes

### **FINANCIAL**

10. May share business risks through:
  - Joint investment
  - Joint Research & Development
  - Sharing of financial risks associated with market shifts
11. Information sharing/forecasting may reduce inventory levels
12. Long-term commitments of a partnership may lead to more stable supply prices.

**TABLE 4.2**  
**PARTNERSHIPS VERSUS ADVERSARIAL RELATIONSHIPS**  
Ellram, L.M. (1995) 'Partnering Pitfalls and Success Factors' *International Journal of Purchasing and Materials Management* Spring 1995 pp. 36-44

Likewise, Macbeth and Ferguson (1994) summarise the characteristics of a partnering relationship as being one in which the partners engage in activities such as shared design processes; shared book costing; interchange of staff; developing shared visions of their business; creating long-term commitments to each other; and engaging in joint improvement projects (quoted in Boddy *et al* 1998 p.144).

Macbeth (1994) describes partnership as ‘actually a different way of doing business’ and sets out the distinction between adversarial and partnership relationships as follows.

<b>Features of Adversarial and Collaborative Relationships</b>	
<b>Timespan of Interaction.</b> Discrete events Contracts for months Low switching costs	Transaction History Supplier for ‘life’ Switching is last option
<b>Personal Attitudes and Behaviour</b> Expertise closely held Centralise authority Power explicit and visible Buyer knows best Reactive suppliers Minimal interactions Customer-imposed stress Individual focus Live for the moment Aggressive defence Look good locally	People development Devolve authority Power 2-way and hidden Supplier supports innovation Pro-active suppliers Multiple interactions Self-imposed stress Mutual respect Build for the future Open-sharing approach Group gains sought
<b>Organisational Processes</b> Produce to drawing Hands-off Limited gatekeepers Static systems	Design involvement Hands-on Many touch-points Technology transfers
<b>Measurements</b> Unidirectional (vendor rating) Unidimensional (price) Internal cost reduction Inspect outcomes Limited feedback: blaming Learning limited	Total acquisition cost Relationship measurement Supply chain effectiveness Control inputs & processes Frequent feedback: improvement Success shared & rewarded

**TABLE 4.3**  
**FEATURES OF ADVERSARIAL AND COLLABORATIVE RELATIONSHIPS**  
Macbeth, D.K. (1994) ‘The Role of Purchasing in a Partnering Relationship’ *European Journal of Purchasing and Supply Management* 1(1) pp.19-25

Cousins (2002) goes so far as to argue that partnerships do not exist and that firms do not trust each other. Rather, there are collaborative relationships that are competitive. A relationship is seen as a process that is focussed on outcomes and, in place of trust, there is risk management.

## **Value Transparency**

Lamming *et al* (2001a) propose a model for 'Value Transparency' within close relationships that, they believe, is necessary in the increasingly turbulent economic climate:

‘...to sustain a competitive position firms must collaborate with suppliers in new ways; rather than simply the sources of artefacts, suppliers become sources of knowledge, skills and expertise, or innovation capabilities, in addition to the core offering of artefacts.’ (Lamming *et al* 2001a p.452)

Value transparency as a concept relies on a broader definition of 'value' than merely an exchange of goods or utility. Value creation is stressed as additional to the mere provision of goods and services (Lamming *et al* 2001b). Cost transparency then becomes value transparency.

The approach goes beyond sharing sensitive information to risk management for both parties and the associated benefits. In value transparency, the supplier takes an active part in the risk management process through its knowledge of the value stream and markets. New value is thereby produced that would not be available if the transaction were made only through the market.

Through a discussion of the effects of IT, Hultman and Axelsson (2004) extend the concept by identifying four dimensions of transparency. These are as follows and stress the factors that are important to providing value within a manufacturing context.

- Cost transparency: Exploitation of new technology increases the firm's ability to source effectively leading to increased transparency of, for example, price.



- Supply transparency: New technology increases the ability to create transparency in the flow of goods and materials between firms.
- Inter-organisational transparency: New technology can expand the range of communication between firms. For example, e-mail can replace traditional modes of communication and provide a greater number of contact points for each firm.
- Technology transparency: New technology can extend the horizons of technology because the use, development and maintenance of technology can be shared.

Building on the development of these different relationship types, methodologies have been developed for applying them to different categories of company expenditure. In this way, each area is classified and managed in the most efficient way. 'Portfolio Management' is discussed below.

#### **(d) Portfolio Management**

Christopher and Juttner (2000) advocate a portfolio approach to relationship management as an efficient way of managing a company's relationships with its suppliers. Due to the resource-intensive nature of partnerships, together with the risks associated with increased vulnerability, it is not possible or desirable to develop close ties with all suppliers. Therefore there needs to be a balanced set of relationships based on a company's assessment of the role of partnerships in its strategy.

Kraljic (1983) first developed a methodology for segmenting a company's expenditure and managing each segment in the most appropriate way. Since then, there have been different approaches to the segmentation process.

Bensaou (1999) proposes a framework for managing a portfolio of relationships using mutual exchange of specific investments as the criterion for comparing relationships.

<b>BUYER'S SPECIFIC INVESTMENTS</b>	HIGH	<b>CAPTIVE BUYER</b> Assymetric relationship in which the buyer is held hostage by a supplier free to switch to another customer.	<b>STRATEGIC PARTNERSHIP</b> Both parties have posted highly idiosyncratic assets into the relationship
	LOW	<b>MARKET EXCHANGE</b> Neither has developed specialised assets to work with the other. Highly standardised product.	<b>CAPTIVE SUPPLIER</b> Supplier enters the trap of unilaterally making idiosyncratic investments to win and keep the business with the supplier.
<b>SUPPLIER'S SPECIFIC INVESTMENTS</b>			

**FIGURE 4.3**  
**PORTFOLIO ANALYSIS USING MUTUAL EXCHANGE OF SPECIFIC INVESTMENTS**  
ADAPTED FROM Bensaou, M. (1999) 'Portfolios of Buyer-Supplier Relationships' *Sloan Management Review* Summer pp35 - 44

Spekman *et al* (1999) approaches classification of supplier relationship based on levels of commercial complexity. This model stresses the benefits of partnership but also believes that some supplier relationships are best handled as open-market exchanges.

Macbeth (2002b) adapts Kraljic's 2 x 2 matrix to create a portfolio of relationships that reflects value and risk. Such an approach helps purchasers to allocate resource in a more efficient manner. Suppliers are divided into the following categories.

<p><b>Bottleneck</b></p> <p>Try to design uniqueness away. Dual source</p>	<p><b>Strategic collaboration</b></p> <p>No adversarial behaviour</p>
<p><b>The trivial many</b></p> <p>Do as little as possible. Use purchasing cards, electronic marketplace and outsourcing</p>	<p><b>Leverage</b></p> <p>Find alternative sources, re-tender contracts, pressurise and negotiate for reduced supply costs.</p>

**FIGURE 4.4**  
**PORTFOLIO ANALYSIS USING VALUE AND RISK CRITERIA**  
Macbeth, D.K. (2002b) 'Managing a Portfolio of Supplier Relationships' in Day, M. (2002)  
*Handbook of Purchasing Management* 3<sup>rd</sup> Edition Aldershot: Gower pp.51 - 62

Each of these sectors should be managed in the most appropriate way that will be different in each case.

Nellore and Soderquist (2000) stress the role of specifications, believing them to have been neglected by the portfolio approach adopted by Kraljic and Bensaou. Within an engineering and manufacturing environment, they believe that specifications need to be matched with the capabilities of the supplier and the supplier base managed accordingly.

Portfolio management approaches provide a methodology for managing the supply base. They are methodologies for mixing relationship models to maximise efficiency.

### **Summary**

The literature discussed in this chapter presents objective approaches to regulating the flow of goods and services through organisations. These approaches differ in their methodologies, being either process-driven or relational. They have as their common foundations, however, objective value

constructs that consistently view business relationships and value at an organisational and not a personal level. This organisational focus on objective value constructs was illustrated using the following examples from the literature.

- Procurement process models aim for optimum quality, timeliness, quantity and cost using adversarial leverage wherever possible.
- TCE focuses on matching transactions to the most appropriate governance structure thereby reducing the risk to the organisation of opportunism and bounded rationality.
- The Interaction approach looks at relationships within a network and how those links, ties and bonds can benefit the organisation. This might be joint resources or activities that can lead to innovation.
- Relational approaches aim to actively develop close relationships with strategic suppliers. Obligational contracting and the development of 'goodwill trust' (Sako 1992) has the potential to provide a number of benefits such as joint research and development capability, risk-sharing and supply in times of scarcity. Such relationships can increase efficiency and reduce the cost of the relationship to the organisation.

The literature discussed in this chapter has its foundations in research conducted in a manufacturing, largely automotive, context that is concerned to ensure corresponding benefits such as efficiency in supply and product development. These are tangible, objective benefits to the organisation and the literature therefore sets out objective procurement approaches to achieve them. They do, however, assume the integration of Procurement at a strategic level to establish and maintain the models that have been developed. This has implications for Procurement's role as a strategic function.

The objective models presented in this chapter are idealised models that remain detached from real business situations. The objectivity inherent in procurement and governance approaches does not take account of the true context of the business world and assumes that it is possible to implement these models in such

a complex environment. They also assume the full integration of Procurement at a strategic level and, therefore, that collaboration with senior executives at all levels and on all supplier engagements is possible.

## CHAPTER FIVE

### LITERATURE ANALYSIS

#### Introduction

Research questions will be drawn from the literature discussed in the preceding chapters using the following areas.

#### (i) The characteristics of professional services and associated client dependence on subjective responses

The nature of management consultancy, and its potential political utility, increases the importance of the subjective responses and motivation of individual clients. This was established in the following literature discussed in Chapters Two and Three.

In Chapter Two, professional services were characterised as complex (Axelsson and Wynstra 2002). This makes it difficult for clients to assess the technical quality of such services, sometimes even after they have been delivered (Maister 1993; Maister *et al* 2000; Hausman 2003). Such difficulties are exacerbated in the case of management consultancy by the ‘unbounded’ nature of the service provision itself. Consultancy firms lack ‘professional’ status and users cannot rely on the regulatory safeguards present in the fields of medicine and law (Gluckler and Armbruster 2003; Kam 2004). This is further compounded by the ambiguity of knowledge services and their extreme heterogeneity (Alvesson 1993; Clark 1995; Mitchell *et al* 2003; Gluckler and Armbruster 2003). In procuring consultancy services, clients therefore assume considerable risk concerning technical quality.

Clients respond by developing their own strategies to reduce the high levels of risk involved in procuring professional services. For example, clients rely on ‘networked reputation’ as an indication of quality (Gluckler and Armbruster

2003). In addition, high levels of brand loyalty are observed where the experiences of professional services have been favourable (Mitchell 1994). It is also suggested that consultancy brands are used to signal legitimacy and act as a substitute for professionalism (Kam 2004, Nippa and Petzold 2002).

Personal relationships between clients and consultants also become extremely important in this context because the individual consultant is taken to be a strong representation of the quality of the service that can be expected from the firm itself (Maister 1993). In addition, and of great importance, a relationship allows trust to develop between the individual client and the individual consultant (Maister *et al* 2000). This is also seen as a way of ensuring technical quality.

The consequence of such risk mitigation measures is an increase in the significance of the subjectivity of individuals. This is because selection decisions are being based upon subjective responses to consultancy brands and to individual consultants themselves. Chapter Three stressed the complexity of individual value choices that depend upon individual contingency and context. Such choices are not always driven by 'rational' considerations such as price (Drakopoulos 1991, Rorty 1989, Anderson 1993). Subjective value choices are therefore unpredictable. The literature in Chapter Two also examined the political uses of management consultancy and this, too, increases the importance of subjectivity.

The political benefits of using management consultancy services have the potential to provide considerable value to clients on a personal level, either to confirm their own recommendations ('legitimation') or as agents of change (Nippa and Petzold 2002, Gammelsaeter 2002, Schwarz 2003). Although they strive to establish professional status, consultants will readily sacrifice any constraints imposed by professionalism to ensure client satisfaction and repeat business (Kam 2004). Consultants are therefore a powerful and malleable resource available to clients and the decision to engage them may be driven by subjective consideration of the personal benefits.

(ii) Objective methodologies exist for supplier selection and management that are derived from manufacturing

Chapter Four demonstrated that a variety of methodologies have been developed to enable practitioners to effectively select and manage suppliers. Transaction Cost Economics, for example, uses asset specificity *inter alia* to determine the most appropriate governance structure for supply (Williamson 1975, 1996). TCE has risk mitigation as its primary concern but other approaches have a wider focus.

Procurement methodologies use both adversarial leverage and relational approaches to achieve efficiency and have in common a foundation based on objective value constructs. These value constructs are objective in the sense that they are based on rational value constructs that aim to deliver tangible benefits to the organisation employing them. Attention to quality, timeliness, quantity and cost, for example, are of prime importance to basic procurement processes that rely largely on adversarial leverage (Baily *et al* 1998, Van Weele 2000).

There are also sophisticated relational approaches that aim to drive optimum value from relationships with third party suppliers. The moves away from adversarial and exploitative relationships towards more co-operative relationships based on trust appear to have distinct advantages in a volatile and competitive environment. These relationships facilitate co-ordination and co-operation among suppliers as well as between suppliers and buyers. Development of 'goodwill trust' (Sako 1992) mitigates risk of opportunism and can increase operational efficiency by reducing the cost of the relationship, improving technology transfer and reducing uncertainty. There can be faster innovation through joint investment in research and a resulting reduction in time-to-market for such innovation. In what has been termed 'value transparency' (Lamming *et al* 2001a) the supplier takes an active role in risk management through its knowledge of the value stream and markets. The position of the organisation is stronger as a result of such collaboration.



Procurement methodologies also enable supplier segmentation that facilitates appropriate application of both adversarial and collaborative approaches. Portfolio management strategies have been developed for application to different categories of expenditure. In one model it aims for a balanced set of relationships based on the role of partnerships in company strategy (Christopher and Juttner 2000); another uses levels of commercial complexity (Spekman *et al* 1999); and another reflects value and risk (Macbeth 2002). Supply relationships can also be analysed using power to determine the most appropriate strategy (Cox 1996, Cox *et al* 2000).

The methodologies outlined above, and more fully in Chapter Four, are based on objective value constructs that provide tangible benefits to the organisation employing them. Crucially, these benefits accrue to the organisation itself and not to individuals. As such, they are not subjective and reflect a relationship that exists between organisations and not between individuals. This is unlike the way that consultancy services are procured through greater reference to subjective responses to individuals and brands.

In addition, the approaches described in Chapter Four are largely drawn from research carried out in the manufacturing, mostly automotive, sector. Process driven models are ideal for supply of 'pure' goods (Axelsson and Wynstra 2002) and relational approaches have a similar focus. The objective value constructs that are described reflect factors that are critical in a manufacturing environment: uninterrupted supply of materials; technology transfer; joint research and development facilitating faster time-to-market; efficient inventory management. These may not translate well to a service such as management consultancy where different considerations apply and other areas reflect different approaches.

The services marketing literature already discussed above and in Chapter Two demonstrate a different approach to services based on a consideration of subjective factors at the level of the individual. In addition, calls for a 'service-dominant logic' (Vargo and Lusch, 2004) highlight the speed of change in the market and the need to adapt appropriately to such change.

### (iii) Two opposing views of management consultants and their clients

Two opposing views of both consultants and clients emerged from the literature discussed in Chapter Two. These are discussed below.

The critical perspective on consultancy asserts that the need for it is driven by the uncertainty that managers feel in their roles (Gill and Whittle 1992; Lundberg and Young 2001; Sorge and Witteloostuijn 2004). At the same time, in an attempt to overcome the ambiguity inherent in their services, consultants employ dramaturgical techniques to manage their client's perception of the value they are providing (Clark 1995; Bloomfield and Vurdubakis 2002). Clients become passive victims in this process and this may be a highly significant factor in the way that management consultancy services are procured.

At the core of consultancy is the 'management of impressions'. In the absence of a formalised knowledge base, consultants must manipulate the interaction between themselves and their clients to convince the client of the value they have provided. To achieve this, the socio-political skills of consultants become indivisible from their technical skills (Bloomfield and Danieli 1995). Consultancy relies on 'fads' and this has been referred to as 'management by panacea' (Gill and Whittle 1992). It has also been analysed using fashion theory (Kieser 2002) and it is suggested that consultants themselves create demand for their services (Backlund and Werr 2004, Bloomfield and Vurdubakis 2002, Sturdy 1997)

In a service with so little substance, and where so much effort is spent managing the impression of value, the implication is that clients must be passive if they accept the service. They must also be uncritical or at least unable to see past the image presented to them. This lack of criticality has profound implications for the procurement of management consultancy when combined with the reliance on subjectivity already outlined. It suggests that extreme risks are confronted by organisations using management consultancy because *inter alia* few rational value constructs underpin its use. Managers rely on personal relationships to

judge value and such relationships are precisely the mechanism targeted by individual consultants to create the impression of value. This leaves the organisation vulnerable to opportunism on the part of consultants.

Conversely, there were writers who presented a different view in which managers were neither passive nor open to manipulation. These writers presented evidence that managers are fully aware of the nature of consultants and contested their claims to legitimacy (Fincham 1999). Also, there was strong evidence that managers manipulated consultants to achieve their own political objectives.

There are frequent references to the use of consultants to 'legitimate' decisions made by managers (Sturdy 1997, Kipping and Armbruster 2002, Nippa and Petzold 2002, Schwarz 2003). The same reasons are given by all the writers for the ability of consultants to fulfil this function, which is that they are seen as objective and politically neutral (Sturdy 1997, Kam 2004). Their 'otherness' is associated with rationality and scientificity (Kipping and Armbruster 2002) and reference to these values by clients ensures acceptance within the organisation. By association, clients are also imbued with the same qualities and are seen as importing the latest ideas and methodologies into the organisation.

Value is not, therefore, necessarily demonstrated by reference to tangible project objectives. This is also seen in the conscious use of brand name to ensure acceptance and assist in 'overcoming dominant decision frames' (Nippa and Petzold 2002). The use of consultants for legitimisation also extends, however, to conscious political manoeuvring and the more unstable the structure of the organisation, the greater the influence of consultants (Gammelsaeter 2002). As previously noted, Kam (2004) points out that professionalism will be sacrificed if it means compromising client satisfaction. This means that consultants represent an extremely versatile and malleable resource because they will do whatever is required to satisfy their client, including pursuit of personal political objectives. They are also uniquely positioned to do this because of their association with rationality and objectivity. Schwarz's (2003) study of a strategic review in a

manufacturing company is particularly interesting because it demonstrates so clearly the political use of consultants and how they were able to achieve things that employees, including directors would have found extremely difficult.

### Conclusion

A number of points emerge from the preceding discussion. Firstly, the literature in Chapters Two and Four reveal a tension between the subjectivity of individuals and the objectivity associated with procurement on an organisational level. Clients of consultancy services rely on their own subjective responses to assess suitability and quality. Existing methodologies underpinned by objective value constructs are, apparently, not used by client executives to procure management consultancy. The literature on consultancy discussed in Chapter Two focuses on value constructs that potentially benefit individuals and can therefore be judged subjectively. Crucially, individual executives engage individual consultants and this results in a different business relationship to that envisaged in the sourcing literature discussed in Chapter Four.

In a consultancy engagement, relationships exist on an organisational level and an individual level between executive and consultant. However, the relationship that exists between an organisation and a consultancy firm is only a contractual one. It is the personal relationship between client and consultant that is of most importance because this is where specifications are set, decisions are made, results agreed and invoices paid. The client executive is, in theory, free to use consultancy services for his or her own purposes without reference to objective organisational value constructs. While other suppliers may have multiple levels of interaction with their clients, a consultancy firm relies to a unique degree on the individual client within the organisation who engages them. It is the client who has given them work and set the specification, and it is also the client who can also terminate the engagement. Consequently, consultants will work to the client's personal objectives and, in this sense, they are mercenaries or 'guns for hire' unlike any other supplier.

This situation is enhanced because consultants are also uniquely positioned to serve a client's purposes and the use of consultants for political manoeuvring is a major motivation for clients to the extent that it may even overshadow their technical contribution. Their services may be required simply to validate a prior decision or, more fundamentally, consultants may be used to affect the balance of power within an organisation. They are effective because they are external to the organisation and are therefore strongly associated with values of objectivity and rationality. This association is exploited by clients to secure acceptance of their own positions. Externality also gives consultants the freedom to employ tactics and methods that clients could not expect to use with impunity.

In this individualistic environment, objective value constructs and corresponding processes and methodologies do not fit easily and even appear anomalous.

Secondly, the characteristics of professional services identified in Chapter Two, however, do not all appear to co-exist comfortably in the context of management consultancy. This prompts questions about the true depth of the client's ability to judge technical quality and this is discussed below.

In addition to the complexity of professional services, Chapter Two also identified a high degree of client involvement in designing solutions and, therefore, co-production of value. As a natural corollary to this, there were also extended and deep exchanges between clients and service providers (Hausman 2003; Axelsson and Wynstra 2002; Silvestro 1999). This is highly significant because it suggests that, in some circumstances, clients have a reasonable understanding of technical quality. It is possible to infer from the literature on the ambiguity of knowledge services and its extreme heterogeneity that such technical knowledge is limited. Clients are therefore vulnerable to impression management (Alvesson 1993, Clark and Salaman 1998, Kieser 2002, Bloomfield and Vurdubakis 2002). A high degree of client and supplier contact and joint design of solutions is typical of management consultancy services. This implies that clients have some technical ability that enables them to make a valid

contribution. It also suggests that they may be less vulnerable to impression management in such a close working relationship.

Lack of client vulnerability appears to be confirmed by literature that discussed the political use of consultancy. Such sophisticated manipulation of the service strongly implies a clear understanding of consultancy and its effects, together with some ability to assess technical quality.

Thirdly, the contribution of objective methodologies to the procurement of management consultancy remains largely untested. Clients appear to show a preference for subjective reliance which calls into question the applicability of the processes and methodologies discussed in Chapter Four. As discussed above, this literature draws on a rich heritage of research carried out in the manufacturing, largely automotive, sector and reflects the value constructs relevant to this area. The continuing relevance of this research needs to be re-addressed in the context of rapid change in the market. Indeed, writers within the services marketing literature suggest that the boundaries between goods and services need to be re-addressed and have called for a 'service-dominant logic' (Lusch and Vargo 2006).

## CHAPTER SIX

### RESEARCH QUESTIONS

#### Introduction

The literature analysis in the previous chapter established a number of themes which build on the tension in the literature, discussed in Chapters Two and Four, between subjective and objective value choices. This literature explores decision-making that operates at two different levels: firstly, individual subjectivity and, secondly, corporate objectivity. The distinction between subjective and objective decision-making is central to the research questions and was discussed in the previous chapter. It is briefly re-iterated below.

The literature on Sourcing in Chapter Four focuses on corporate entities and strategies that will deliver objectively ascertained benefits to the organisation. For example, Value Transparency (Lamming *et al* 2001b) is designed to facilitate more efficient risk management. The concentration on objective value constructs that is found in the sourcing literature reflects its foundations in research conducted in manufacturing environments. Conversely, the service management literature is largely based in research concerning mass-market consumer goods and services and therefore concentrates on individual, and therefore subjective, decision-making. This focus on the response of the individual rather than objectively-defined organisational benefits also extends to literature that specifically examines management consultancy.

The literature in Chapter Two identifies, in addition, the complexity of professional services in general and the unbounded nature of management consultancy in particular. This results in clients assuming a high degree of risk when procuring management consultancy including potential vulnerability to impression management. There is nothing in the literature discussed in either Chapter Two or Chapter Four, however, to indicate that executive clients choose to mitigate this risk using the established, objective methodologies outlined in

Chapter Four. Instead, they appear to rely on subjectivity and, in particular, individual responses to brand and personal relationships. This reliance is supported by the literature in Chapter Three on subjective value choice. This concluded that individual contingency results in a complex decision-making process that does not necessarily refer to price.

The apparent disregard for objective methodologies and reliance on subjectivity suggests that clients have their own personal value constructs to which they refer when engaging consultancy services. There was considerable evidence in the literature in Chapter Two that clients use consultants for political purposes because of their external status and association with rational and objective values. These associations not only improved the status of the client within his or her own organisation, but also helped secure acceptance of the client's decisions. On a more fundamental level, consultants could be used to change the balance of power within an organisation.

The willingness of consultants to prioritise client satisfaction over the restrictions that would be imposed by adherence to standards of professionalism, make them a particularly versatile and malleable resource. They are therefore, potentially, extremely valuable to executives who wish to pursue any subjectively identified value construct.

This analysis of the literature in the preceding chapters results in the following research questions.

### **Research Question 1**

On what basis do executives buy management consultancy?

Established sourcing methodologies based on objective value constructs are examined in Chapter Four. Despite the existence of such methodologies, however, the literature in Chapter Two indicated that subjective value constructs have a significant role in client decisions to procure management consultancy. The literature in Chapter Three established personal value choices as complex



decisions strongly influenced by individual contingency. This suggests that clients exercise considerable scope when deciding to engage consultants and the research question seeks to examine this in greater detail and clarify client motivation and assessments of value.

### **Research Question 2**

How would the objective processes developed in strategic procurement contribute to buying management consultancy?

Procurement professionals and others have developed methodologies that focus on achieving benefits defined by objective value constructs. These are discussed in Chapter Four. This research question seeks to establish the extent of the benefit that such objective processes could deliver to the procurement of management consultancy despite the use by clients of subjective responses.

### **Research Question 3**

Is there any compatibility between executive procurement of management consultancy and professional procurement methodologies?

There appears to be a significant dislocation between the subjectivity used by individual executives to procure management consultancy, and the objective value constructs that underpin established sourcing methodologies. This research question seeks to establish whether there is any degree of compatibility between the two approaches. In the event of a suitable match, the implication is that Procurement professionals do, indeed, have a valid role in the purchase of consultancy.

### **Research Question 4**

What are the implications of executive procurement of management consultancy for the development of strategic procurement as a professional function?

Procurement aspires to be a strategic function that is fully engaged with all sourcing decisions. This question seeks to establish the effect that executive

autonomy in the procurement of consultancy might have on such an aspiration. This question evolved as the research and literature analysis progressed and the dichotomy in approaches began to emerge.

### Summary

In combination, these research questions address the central dilemma for procurement departments of their exclusion by executives from management consultancy engagements. Most significantly, they address the issue of the suitability of procurement methodologies to consultancy and therefore whether the involvement of procurement professionals is appropriate.

## CHAPTER SEVEN

### METHODOLOGY

#### **(i) Introduction**

This chapter sets out the research design, including the methods employed to gather the data, and the grounds for believing the outcomes to be a valid contribution to knowledge. It begins with a brief survey of the epistemological and ontological choices to be made and explains the adoption of qualitative techniques. These techniques are then set out in greater detail. The chapter finishes with a section on the difficulties encountered in carrying out the research, and how these issues were overcome and incorporated into the research design.

The data is derived from a single case study of the researcher's employing company and its conclusions are based on twenty-seven interviews with senior executives and an extended observation of a consultancy engagement. This research design raises questions around random sampling and sufficiency of numbers that are answered in the sections on Case-Study Approach and Validity. The chapter argues that the role of this case study is 'instrumental' and 'revelatory' and that its conclusions do not need to be capable of generalisation to a larger population to constitute valid knowledge.

In particular, the chapter stresses the problems of access to senior executives and the rare opportunity that the insider status of the researcher presented.

#### **(ii) Research Perspective**

Gibson and Burrell (1979) suggest that it is convenient to conceptualise social science in terms of four sets of assumptions related to ontology, epistemology, human nature and methodology.

The subjectivist approach to social science		The objectivist approach to social science
Nominalism	<b>ONTOLOGY</b>	Realism
Anti-positivism	<b>EPISTEMOLOGY</b>	Positivism
Voluntarism	<b>HUMAN NATURE</b>	Determinism
Ideographic	<b>METHODOLOGY</b>	Nomothetic

**FIGURE 7.1**  
**A SCHEME FOR ANALYSING ASSUMPTIONS ABOUT THE NATURE OF SOCIAL SCIENCE**  
**Burrell, G. and Morgan, G. (1979) *Sociological Paradigms and Organisational Analysis***  
**Aldershot: Ashgate p.3**

Firstly, there are ontological assumptions about the reality to be investigated. The question to be addressed is whether reality is objective in nature, or the product of individual cognition. At the extremes stand nominalism and realism. Nominalism does not admit that there is any ‘real’ structure to the world. The names used to describe concepts are no more than convenient labels that help individuals describe and negotiate the external world. Realism, conversely, holds that the social world is comprised of tangible and objective structures that are as hard and concrete as the natural world.

Secondly there are epistemological assumptions regarding the grounds of knowledge, what forms of knowledge can be obtained, and how one can decide what is ‘true’ and what is ‘false’. Positivism is based upon the methods used in the natural sciences. It searches for causal relationships between the elements that comprise society and thereby to explain and predict it. Anti-positivism, however, views the social world as relativistic and therefore holds that it can only be understood from the point of view of the individuals being studied. It rejects the notion of an independent ‘observer’ who can provide objective data.

Thirdly, there are assumptions about human nature and the relationship between human beings and their environment. The debate is whether human beings are formed by their environment and merely react to it in a mechanistic or

deterministic fashion, or whether they create and control their own environment and are therefore free-willed.

These three sets of assumptions have direct implications for the choice of methodology. For example, if the ontological belief is that the social world is a hard, objective reality then it would seem appropriate to search for universal laws which explain and govern the reality being observed using nomothetic methods. Conversely, if the belief is that the subjective experience of individuals is the defining characteristic of reality, then the primary concern of research is to understand the way that the individual interprets the world around them using ideographic methods (Gibson and Burrell, 1979, p.3).

Ideographic methods are based on the belief that the subject can only be understood by gaining first hand experience and getting close to it. It therefore emphasises the detailed analysis of subjective accounts. Conversely, nomothetic approaches stress the importance of a systemic approach and standardised research instruments. It is epitomised by the approach used in the natural sciences such as tests and quantitative analysis of data.

Although extreme positions have been presented, in reality there are many views that may be placed somewhere between each of the two poles (Easterby-Smith *et al* 1991, Smith 1998). Likewise, the term ‘phenomenology’ is an umbrella term covering a considerable range of epistemological positions (Audi 1999, Bryman 1988, Smith 1998).

The research perspective adopted here is subjectivist and seeks to understand the world on the level of individual experience, using the frame of reference of the participant not that of the observer. Such an approach was considered best suited to the objectives of the study. It therefore, broadly, has the following characteristics.

Nominalist ontology  
Anti positivist (phenomenological) epistemology  
Voluntarist view of human nature  
Ideographic (qualitative) methodology

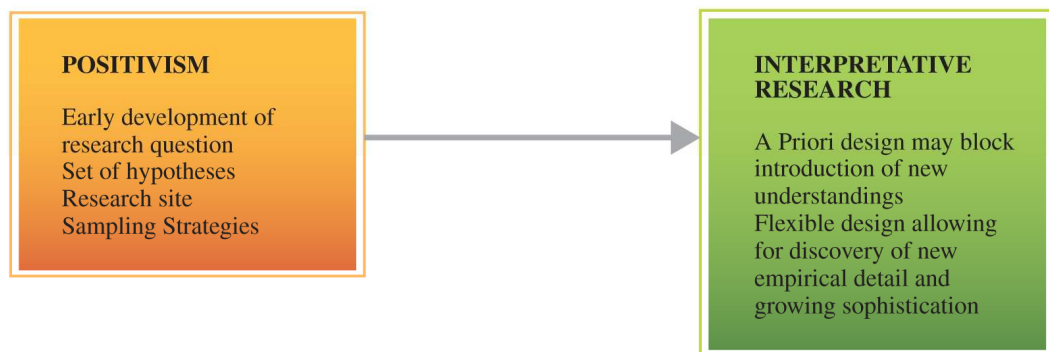
The discussion will now add more detail to epistemology and the choice of research methods.

As noted above, phenomenology tends to be associated with qualitative data gathering methods and small samples studied in depth. Positivism, however, tends to concentrate on deriving fundamental laws from the observation of facts and is therefore associated with quantitative techniques. The resulting variance in approaches to research is shown in Figure 4.2 below, although, as Bryman (1998) points out, the choice of research method is not necessarily related to epistemological conviction. For some researchers, ‘the decision over whether to use a quantitative or qualitative approach should be based on “technical” issues regarding the suitability of a particular method in relation to a particular research problem’ (Bryman, 1988, p.106). Indeed, Janesick (2000) uses the term ‘methodolatry’ to ‘describe a preoccupation with selecting and defending methods to the exclusion of the actual substance of the story being told’. (Janesick, 2000 p.390)

	<b>Quantitative</b>	<b>Qualitative</b>
1) Role of qualitative research	Preparatory	Means of exploration of actor's interpretations
2) Relationship between researcher and subject	Distant	Close
3) Researcher's stance in relation to subject	Outsider	Insider
4) Relationship between theory/concepts and research	Confirmation	Emergent
5) Research strategy	Structured	Unstructured
6) Scope of findings	Nomothetic	Ideographic
7) Image of social reality	Static and external to actor	Processual and socially constructed by actor
8) Nature of data	Hard, reliable	Rich, deep.

**TABLE 7.1**  
**DISTINCTIONS BETWEEN QUANTITATIVE AND QUALITATIVE RESEARCH**  
 Bryman, A. (1988) *Quantity and Quality in Social Research* London: Routledge P.94

Consequently, there can be considerable variety in research design varying from rigorous at one end to less well-structured at the other. This is illustrated below in Figure 4.3. However, it should again be seen as a continuum rather than mutually exclusive, opposite poles. In reality, research methods are likely to contain elements of both approaches (Bryman, 1988)



**FIGURE 7.2**  
**VARIATION IN RESEARCH DESIGN (ADAPTED)**  
 Denzin, N.K. and Lincoln, Y.S. (2000) (eds) *Handbook Of Qualitative Research* second  
 Edition London: Sage P.368

A significant part of the aim of this research was to understand executive motivation for buying management consultancy services and how this influenced their preferred procurement method. The reasons underlying each individual instance of the use of consultancy firms will vary because the decision to use consultancy is essentially a subjective one. It was therefore vital to get as close as possible to executives because the research focus was exclusively on individual executives and their attitudes and approaches to consultancy services. The commitment to an ideographic approach that is found in qualitative research methodology was seen as the most suitable way of gathering meaningful data in this instance. As Fontana and Frey observe:

‘If we wish to find out how many people oppose the establishment of a nuclear repository in their area, a structured type of interview.....is the best tool; we can quantify and code the responses and use mathematical models to explain our findings....whereas if we wish to know about the lives of Palestinian women in the resistance, we need to interview them at length and in depth in an unstructured way.’ (Fontana and Frey, 2000, p.667)

The best known method of qualitative data collection is participant observation. However, unstructured interviewing is also a favoured technique (Bryman, 1988). This has the added advantage of allowing the interviewee to respond freely without the confines of a pre-imposed frame of reference (Bryman, 1988). This was the best way to collect data for this research for a number of reasons. Firstly, any assumption of prior knowledge would have been extremely dangerous. As discussed below, the researcher had certain pre-conceived notions about management consultancy that may have influenced any *a priori* structure. Secondly, the researcher also had no experience of working at a senior executive level and the pressures and burdens that such a position imposes. Thirdly, on a practical level, there was little other option, for the reasons discussed below in the section on limitations to research.



Unstructured interviews allow for the unexpected and gave the researcher the freedom to pursue interesting observations and comments in greater detail. For example, findings on validation benefits that formed an important part of the research data, emerged from a passing remark in one of the early interviews. This was pursued and developed adding great depth to the research. A structured interview or survey is unlikely to have yielded this data due to the need to adhere to set questions. Later sections in this chapter detail the sensitivities attaching to consultancy use. These also make unstructured interviews most appropriate for data gathering because questions can be tailored to suit the individual being interviewed and the circumstances prevailing at any given moment.

Theory was therefore inductively generated without imposing any reference points on the executive respondents. Inductive research is taken to mean research that starts with real-world data, and categories, concepts, patterns, models and eventually, theories emerge from this input (Gummesson, 2000). Data analysis is discussed below in greater detail.

### **(iii) Research Design**

#### **(a) Case Study Approach**

The research was designed as a single case study of the company that employs the researcher as a Procurement Consultant. This company is within the services sector. All of the interviewees were from this company, with only one exception. The exception is a very highly graded executive (Managing Director level) within the banking sector. The sample size was relatively small, comprising 27 interviews. The interview data was then triangulated using an extended observation to provide a different perspective.

Criticism of case studies as a scientific method can be summarised as follows

- Case studies lack statistical reliability and validity
- Case studies can be used to generate hypotheses but not to test them

- Generalisations cannot be made on the basis of case studies

Source: Gummesson, E. (2000) *Qualitative Methods in Management Research* London: Sage 2<sup>nd</sup> Edition

These criticisms are discussed in a later section on validity. The purpose of this section is to define more clearly the type of case study that was undertaken for this research because, as Ragin and Becker (1992) point out, the term ‘case’ is problematic because it is not easily defined.

Case studies are categorised in various ways by different writers.

Ragin and Becker (1992) use a ‘conceptual map’ to aid understanding of case studies:

<b>Case Conceptions</b>		
<b>Understanding of Cases</b>	<b>Specific</b>	<b>General</b>
<b>As empirical units</b>	<p><b>1. Cases are found</b>  ‘researchers see cases as empirically real and bounded, but specific. They must be identified and established as cases in the course of the research process....Researchers who approach cases in this way see assessment of the empirical bounding of cases as an integral part of the research process.’  For example, Harper (1992) identifies ‘community’ through individuals.</p>	<p><b>2. Cases are objects</b>  ‘researchers also view cases as empirically real and bounded, but feel no need to verify their existence or establish their empirical boundaries in the course of the research process, because cases are general and conventionalised. These researchers usually base their case designations on existing definitions present in research literatures.’ Eg, nation-states, organisations, families.</p>
<b>As theoretical constructs</b>	<p><b>3. Cases are made</b>  Researchers ‘see cases as specific theoretical constructs which coalesce in the course of the research. Neither empirical nor given, they are gradually imposed on empirical evidence as they take shape in the course of the research. For example, a researcher interested in tyranny would study many possible examples of tyranny. An important subset may appear which would be conceived as a case of the same thing.</p>	<p><b>Cases are conventions</b>  ‘researchers see cases as general theoretical constructs, but nevertheless view these constructions as the products of collective scholarly work and interaction and therefore as external to any particular research effort’. For example, ‘industrial societies’.  ‘In this view, cases are general theoretical constructs that structure ways of seeing social life and doing social science. They are the collective products of the social scientific community and thus shape and constrain the practice of social science.’</p>

**FIGURE 7.3**  
**CONCEPTUAL MAP FOR ANSWERS TO ‘WHAT IS A CASE?’**  
Ragin, C.C. and Becker, H.S. (1992) *What is a Case?* Cambridge UK: Cambridge University Press P.9

This research can be located in the top right hand quadrant. As far as the case concerns a company, it is an empirical unit that is an object requiring no further definition.

Gummesson (2000) observes that case studies vary in character, but that two types are of particular interest:

- 1 Firstly, there are those case studies that attempt to derive general conclusions from a limited number of cases
- 2 Secondly, some case studies seek to arrive at specific conclusions regarding a single case because this 'case history' is of particular interest.

He goes on to say that 'case research is a useful strategy for studying processes in companies and also for explanatory purposes' (Gummesson, 2000, p.85)

Yin (1994) identifies three rationales for single case designs. Firstly, there is the critical case that functions to test a well-formulated theory. Secondly, there is an extreme or unique case, most commonly seen in clinical psychology. Here, a condition may be so rare that any case is worth studying and documenting. Thirdly, there is the rationale for what is termed the 'revelatory' case, of which Yin says:

'This situation exists when an investigator has an opportunity to observe and analyse a phenomenon previously inaccessible to scientific investigation....' (Yin, 1994, p.40)

Yin illustrates this point by using as an example Elliot Liebow's case study of unemployed black men, *Tally's Corner*:

'By befriending these men, the author was able to learn about their lifestyles, their coping behaviour, and in particular their sensitivity to unemployment and failure. The book provides insights into a

subculture that has prevailed in many U.S. cities for a long period of time, but one that had been only obscurely understood.’ (Yin, 1994, p.41)

The difficulties of access to executives are set out in greater detail later in this chapter. However, it is relevant to mention them here because of the similarities with the situation described by Yin. It would have been extremely difficult to gain access to executives outside of the researcher’s own company and her insider status provided a rare opportunity to study the way that executives approach the procurement of management consultancy. By exploiting this situation, the researcher was able to access information that reveals why and how a group of executives at one company procure management consultancy. In this sense, the use of case study is truly ‘revelatory’.

Further, Stake (2000) comments that ‘case studies have become one of the most common ways to do qualitative inquiry’ (Stake 2000 p.435) and he identifies three types of case study:

- (i) Intrinsic case studies where the researcher wants to understand this case alone;
- (ii) Instrumental case studies where the object of studying a case is to gain insight into an issue. In this instance, the case plays a secondary role because its function is to facilitate understanding of something else;
- (iii) Collective case studies are joint studies of various cases to investigate a phenomenon, population or general condition.

Stake also emphasises study of the particular:

‘..case study method has been too little honoured as the intrinsic study of a valued particular, as it is in biography, institutional self-study, program evaluation, therapeutic practice, and many lines of work.

Generalisation should not be emphasised in all research.’ (Stake, 2000, p.439)

The ‘Instrumental’ category created by Stake is similar to the ‘Revelatory’ one created by Yin. The instrumental case also serves a purpose, which is to illustrate phenomena that are not unique and which may have application elsewhere.

Because of the difficulties of access, this case research is revelatory in the sense that Yin (1994) uses the term. In reality there was little choice of research design for this subject because the researcher could only access executives from her own company. Therefore, the research had to be a single case study because it was impossible to carry out a multiple-case analysis. Issues of validity are dealt with below in more detail.

However, the research is also instrumental in the sense that Stake (2000) defines this type of case study. By understanding this particular case study, insights into the procurement of consultancy elsewhere will be gained.

#### (b) Data Collection

Focus groups and observation techniques were not realistic methods for the main part of this study given the fact that the respondents were executives with very busy schedules. It would have been extremely difficult to get more than one of them together at the same time.

Data was collected using two methods. Firstly, through tape-recorded interviews each lasting, on average, thirty to forty minutes (although one lasted for an hour and a half), and secondly, through an extended observation of a consultancy engagement in which the researcher was a participant.

Interviews are a well-regarded method of collecting data. Indeed Silverman (2000) comments:

‘Perhaps we all live in what might be called an “interview society” in which interviews seem central to making sense of our lives’. (Silverman, 2000, p.22)

Eisenhardt and Graebner (2007) also comment that:

‘Interviews are a highly efficient way to gather rich empirical data’ (Eisenhardt and Graebner 2007 p. 28)

During the majority of the interviews pre-set questions were used to structure the interview in a very loose manner. Questions were phrased very openly and encouraged more than a simple ‘yes’ or ‘no’ in response. For example, executives were asked how they felt about certain aspects of consultancy or they were asked to describe certain events or processes. They were also given ample opportunity to expand on areas that they thought were important. This also gave the researcher the opportunity to pursue comments that were interesting and to gain greater detail on these points. Using interviews in this way allowed for a quick response to new information. Where it seemed that new data was appearing, this was tested immediately in subsequent interviews. This resulted in the situation where not all executives were asked exactly the same questions and the researcher does not see this as problematic. Rather, this is seen as an advantage. As Stake (1995) observes:

‘Qualitative case study seldom proceeds as a survey with the same questions asked of each respondent; rather, each interviewee is expected to have had unique experiences, special stories to tell....The purpose for the most part is not to get simple yes and no answers but description of an episode, a linkage, an explanation.’ (Stake, 1995, p.65)

Gummeson (2000) describes an unstructured approach to interviewing in connection with case studies as follows:

‘During informal interviews, questions are not put in any pre-established order. The selection of questions is governed instead by the actual situation confronting the interviewer; it is a probing technique. Sometimes the interviewers may limit themselves to asking the questions they feel appropriate to ask on the spur of the moment.....Particular attention is paid to what the informants consider to be important.’ (Gummesson, 2000, p.127)

This accurately describes the situation during the interviews that were conducted for this research. The questions asked, and the way they were asked, depended on how the researcher felt the interview was going and whether she wished the interviewee to expand on any points.

(c) Data Analysis

The interviews were analysed at regular intervals throughout the course of the research. This is not unusual in qualitative research. Miles and Huberman (1994) comment:

‘We strongly recommend early analysis. It helps the field-worker cycle back and forth between thinking about the existing data and generating strategies for collecting new, often better, data. It can be a healthy corrective for built-in blind spots’. (Miles and Huberman, 1994, p.50)

Symon and Cassell (1998) also observe:

‘In qualitative research.....the distinction between data collection and data analysis may not be clear-cut. In practice, for example, as a series of interviews progresses, the researcher will often be creating, testing and modifying analytic categories as an iterative process...’ (Symon and Cassell, 1998, p.5/6)



The questions became more focussed as the interviews progressed. The first few interviews had very open, generic questions about the use of consultancy. There were also very specific questions that were designed to test the areas identified by the literature. From Interview Eight onwards questions became more specific and began to build on and test the themes that were beginning to emerge. This process of refining and focussing continued throughout the remainder of the interviews.

The easiest interviews to do were the later ones because they had become, by then, more like conversations around themes. No doubt this was helped by the fact that the researcher felt more confident as an interviewer by then. The process of working through certain questions in the first few interviews had felt wooden and artificial. High quality material was produced during interviews that were more conversational.

Following the interviews, the tapes were transcribed by a professional typist. There were, however, some gaps where words could not be deciphered. These transcripts were read in great detail and each line analysed for meaning. The resulting material was coded by theme. There were no pre-conceived ideas about what the codes should be and they emerged from the data itself.

The themes were then written up in the same format, although sometimes two or more themes were merged into one because of their similarities. During the writing, each point made is reinforced and illustrated with the most appropriate quote from the interviews themselves. Sometimes these quotes are lengthy and this is justified because they create greater understanding and basis for the conclusions. They also create a sense of the authenticity of the interviews themselves.

(d) Validity

The validity of the research findings were established in a number of ways that are discussed below including the difficulties inherent in conducting case studies, in particular single case studies.

Single case studies are open to criticism. Eisenhardt and Graebner (2007) point out that multiple case studies ‘typically provide a stronger base for theory building’ although they concede that ‘single-case studies can richly describe the existence of a phenomenon (Eisenhardt and Graebner 2007 p.27). Whilst acknowledging the problems of building theory from a single case, it was considered important to report phenomena that are usually difficult to observe. As discussed above, this research is ‘instrumental’ and ‘revelatory’ in the sense that Stake (1995, 2000) and Yin (1994) use the term. Its validity relies on its ability to shed light on consultancy procurement through unusual research access. As Siggelkow (2007) observes, ‘a single case can be a very powerful example’.

A single case study is also open to the criticism that no random sampling has taken place. Even though the interviewees in this research were not randomly selected, the integrity of the data produced is not compromised in any way. Stake (1995) observes:

‘Case study research is not sampling research. We do not study a case primarily to understand other cases....Many of us caseworkers feel that good instrumental case study does not depend on being able to defend the typicality of (the case).’ (Stake, 1995, p.4)

In any event, the executives interviewed came from a variety of backgrounds. Bryman (1988) refers to the tendency to approach case study as if it were a sample of one drawn from a wider pool of cases, and says:

‘...within a case study a wide range of different people and activities are invariably examined so that the contrast with survey samples is not as acute as it appears at first glance...(Bryman, 1988, p.90)

He illustrates the point using Leibow’s (1967) study of street-corner men. This is a small sample, not randomly drawn, yet it provides a ‘vivid, detailed portrayal of a small sector of social life’ (Bryman, 1988, p. 104). The research here does the same thing within a corporate setting and its validity is not dependent on either random sampling or large numbers. Stake (1995) stresses the interpretative nature of case research:

‘It is not uncommon for case study researchers to make assertions on a relatively small database, invoking the privilege and responsibility of interpretation....Good case study is patient, reflective, willing to see another view of (the case). (Stake, 1995, p.12)

There is also, however, the problem of cases having the ability to generalise to other cases. The typicality of the company is not, however, seen as an issue. Stake (1995) writes of case research:

‘The purpose of a case report is not to represent the world, but to represent the case.’ (Stake, 2000, p.448)

It is the opportunity to learn from the case that is the most important factor (Stake, 1995). Bryman (1988) also writes:

‘...the issue should be couched in terms of the generalisability of cases to theoretical propositions rather than to populations or universes. Case study data become important when the researcher seeks to integrate them with a theoretical context.’ (Bryman, 1988, p.90)

Core themes that continually occurred provided predictability. Once Interview 20 had been reached, the same themes were appearing repetitively so that

interviews towards the end therefore added a diminishing amount of value. The number of interviews was therefore sufficient to establish justifiable themes. As Gummesson says:

‘The actual number of cases needed in a specific study will be determined by saturation – that is, the diminishing marginal contribution of each additional case; the researcher will have no need to continue with further cases when the marginal utility of an additional case approaches zero’. (Gummesson, 2000, p.96)

Eisenhardt and Graebner (2007) point out that although interviews ‘are a highly efficient way to gather rich, empirical data’ (Eisenhardt and Graebner 2007 p.28) they are also open to the charge of ‘retrospective sense-making and impression management’. The research design of this study has mitigated such a risk by supplementing the interview data with observational data in the form of an extended observation.

#### (e) Definition of Consultancy

For the purposes of this study, Consultancy is defined as services provided by major firms such as McKinsey & Co., Boston Consulting Group, IBM, KPMG, Accenture and Cap Gemini. Outsourcing is specifically excluded. The definition of consultancy concentrates therefore, on the firm providing the service rather than the actual service itself. Such services could comprise corporate strategy, IT strategy, business process re-engineering or corporate culture but so long as they were provided by one of the major firms, they would fall within the definition.

This was made clear at the outset of each interview and the interviewees were asked to limit their answers to their experience of working with these firms. If they did refer to smaller firms by way of comparison, interviewees were asked to make this clear.

This not only provided a boundary for the research, but also allowed for a concentration on the largest areas of consultancy expenditure.

**(f) Profile of Interviewees**

The individuals interviewed were all executives of director level who had experience of engaging consultants. In the latter stages of the research, they were of Managing Director and Chief Executive Officer level. They therefore had a central role in the assessment of value derived from consultancy. The research specifically excluded any individual with an administrative function because the emphasis was on those who initiate consultancy and assess the results of such engagements. The following job roles were obtained from the Human Resources Department of the company studied. No executive below the Grade 6 level was interviewed.

- |         |  |
|---------|--|
| Grade 6 | Leadership of a significant functional or operational area with some medium-term strategic input, including policy-making responsibility. Involves extensive liaison both internally and externally. Or a high-level technical expert. |
| Grade 7 | Strategic leadership role with breadth of involvement throughout own function and other parts of the business. Responsibility for policy-making, vision and direction.   |
| Grade 8 | No description available.  |

The insights obtained from these individuals are rarely available because of the access difficulties discussed below.

**(iv) Limitations to Research**

**(a) Access**

Gaining access to such senior executives would normally be extremely difficult. This is due to several factors. Firstly, they are very busy people with packed schedules. For example, one executive at CEO level, had made a note to his secretary saying: 'I will see her – God knows when and where!' Secondly, the subject itself could be seen as sensitive and certainly some of the projects concerned were sensitive. There would be a natural reluctance to discuss these with an outsider. Thirdly, executives would perceive little benefit to taking part in such research. There would also have been the problem of knowing exactly who to approach within the company. It would not have been obvious to an outsider which executives were purchasers of consultancy services and, therefore, suitable sources of information.

However, the position of the researcher as an employee of the company was extremely important. Any researcher who was external to the company would have faced significant challenges to gaining access to senior executives. However, the researcher had the advantage of a written introduction from one of their peers, the researcher's director, who requested their co-operation. In addition, there is a less definable 'political correctness' factor that may have influenced them. The company has carried out a number of Employee Surveys over the last five years and is conscious of the need to create and maintain a positive culture. An employee wishing to conduct doctoral-level research into a job-related subject would be seen as someone who should be supported.

However, even with these advantages, there was still one executive that the researcher was unable to access and who failed to respond to repeated requests for an interview. This emphasises the fact that access had to be negotiated individually with each executive. An introduction from a director was very useful but did not constitute an instruction to see the researcher, it was only a request.

For those executives that did agree to be interviewed, the time that the researcher had with them was generally limited to thirty and forty minute slots. There were exceptions where an individual clearly had an interest in the research and was

prepared to give more time. For example, one executive talked for an hour and a half. However, for the majority of interviews the researcher had to ensure that she got sufficient information within short time slots.

#### (b) Personal Preconceptions

As a Purchasing professional, the researcher is focussed on cost control and regarded with horror the size of the company's spend on consultancy services. She also received anecdotal evidence from around the business about consultancy engagements that appeared to fall into the category of consultants 'borrowing your watch to tell you the time and then charging you for it'. She heard, more than once, colleagues relating how they had spoken to consultants and then found their ideas and, in one instance, their exact words, regurgitated in consultancy reports.

So, naturally, the research was approached with some preconceived notions about value and consultancy. It is hoped that being aware of this preconception made a significant contribution towards combating its effects. It is nevertheless something that should be declared at the outset.

#### (c) Sensitivity Attaching to Consultancy Use

Largely as a result of the negativity with which consultancy is sometimes viewed, there is the likelihood that, in some cases, the researcher was told what executives believed they should be doing rather than what they actually do. The sensitivities around executives talking frankly about their use of consultancy, are seen as threefold:

Firstly, there is a common belief that consultants cultivate strong relationships with their clients. Indeed, lavish hospitality is often assumed. No executive will want to create an impression that he or she is 'in the pocket' of a consultant and that, as the result of such an inappropriate relationship, cannot objectively place business.

Secondly, use of consultants could create a perception of dependency that could be seen as a weakness.

Thirdly, use of consultancy could also be perceived as an admission of failure. If consultants are being used, questions are frequently asked about how executives justify their positions. There is a sense that consultants are doing executives' jobs for them and therefore the company is paying twice. This view was certainly expressed to the researcher by colleagues.

Executives may have been aware of these perceptions and, in an effort to present themselves in the best possible light, edited their comments accordingly.

#### (d) The Researcher's Position in the Hierarchy

The position of the researcher in the company is lower than the executives that were being interviewed. This subordinate position had two effects on the interviews. Firstly, the researcher was inevitably cautious in her questioning and would have preferred to be more direct. This would certainly have made better use of the limited time available but these executives could have been offended by the questions. Indeed, when interviewing a very senior person, the question was asked: 'How does the relationship work at your level?' to which the executive replied sharply, 'What do you mean?' Believing that he was offended about this delicate point, the researcher quickly explained that she was interested in whether there was regular contact and who instigated this. He then relaxed and answered, but it was taken as a lesson in the need for careful phrasing of questions.

Secondly it was difficult to steer executives back on course if they started going off at a tangent because of a sense of deference and, again, not wanting to cause offence. After answering a couple of initial questions, one senior executive announced, 'Right, I *am* going to give the talk' and off he went. For the next ten minutes or so, he gave a defence of the use of consultancy. The researcher



believes that this was largely as a result of questions he had personally received at the 'road-shows' he had been giving at company locations around the country. Fortunately, there was interesting information within this and he was very thorough in his responses to the remaining questions. However, given his position and the psychological effect on the researcher of the surroundings (a large and imposing office in the centre of London), she was reluctant to interrupt.

The opposite problem was encountered in another interview. The executive concerned was very reticent and generally gave simple 'yes', 'no' or 'it depends' as answers. It was difficult to get him to expand on these answers and this was the shortest interview (barely 25 minutes). In addition, the executive took a long phone call in the middle of the interview and appeared distracted, waving to people through his glass-fronted office. The researcher would have liked to comment on this behaviour and re-establish the purpose of the interview, but again, was reluctant to do so.

#### (e) The Researcher's Inexperience

Interviewing executives in the circumstances outlined in the sections above (that is, a sensitive subject, limited time and a subordinate position) was a difficult exercise. It was, however, also the first time that the interviewer had ever done any interviewing of this kind. Whilst her confidence increased as the interviews progressed, it is possible that a more experienced interviewer would have extracted more information.

## **CHAPTER EIGHT**

### **RESEARCH DATA – INTERVIEWS**

#### Introduction

This is a single company case study and, with one exception, the executives were all, at the time of the interview, employed by the same organisation. They therefore represent a spectrum across a single organisation in the services sector.

The following data is taken from twenty seven interviews that lasted approximately forty minutes each, giving a total of eighteen hours contact time with senior executives. This may appear short relative to other qualitative studies but is, in reality, a significant achievement given the demands on executive time. It also reflects how intensively the research was focussed on management consultancy, that intensity of focus being a pre-requisite to gaining access.

This level of executive cooperation was made possible by having the status of an internal member of staff. The unstructured two to three hour interview by outsiders that is typical of qualitative research would not have been possible in this context. Firstly, that amount of time would not have been made available to any researcher and secondly, there would have been wariness about sharing such sensitive detail with outsiders. Indeed the candid nature of some of the interviews was astounding and this is attributed to the high degree of comfort that executives felt with the researcher's internal status.

The interviews were recorded and transcribed by a professional typist. Each transcript was then manually examined for detail and themes recorded and referenced on cards without the use of specialist software. The eleven themes listed below were therefore identified by the researcher acting alone and imposed upon the text provided by the executives. There were very good reasons for such an approach. The issues are sensitive and pejorative and the interview and

analysis process is designed to expose them. This point is discussed below in more detail.

The use of management consultants is sensitive and, at times, controversial. Although in some instances its use appears logical and rational, at other times it can appear illogical and irrational because the motivation for using these services is subjective and unique to individual executives. It could, for example, make an executive appear vulnerable or even weak. This subjective motivation is therefore extremely sensitive and, as a consequence, there is a natural reluctance to reveal it directly. No executive, for example, would admit to feeling vulnerable in such stark terms. Given this reticence, themes on subjective value constructs are initially derived from what was said in response to indirect questions or asides, or observations about other executives. Once apparent, some themes were directly addressed but most were derived from commentary in other contexts.

In addition, there are differences in the way topics are described by executives and the way that they are set out in the literature. Executives, for example, do not describe risk mitigation in precisely those terms. They do, however, talk about the reasons they are wary of approaches from unknown consultants and why they feel secure with consultants they have known and worked with before. The term ‘risk mitigation’ is therefore imposed on this data even though executives have not described it as such.

The data gathered from the interviews was analysed and then organised into the following themes.

- 1 Skills, Knowledge and Experience
- 2 Skills Transfer
- 3 Human Resource Management
- 4 Speed of Execution
- 5 Co-Production of Value
- 6 Approaches to IT and Strategy Consultancy

- 7 Technical Quality and Functional Quality
- 8 Personal Relationships
- 9 External Status
- 10 View of Employees
- 11 Environmental Pressures

### Biographical Detail

The following table sets out some brief biographical details of the executives who participated in the interviews. A fuller description of the grades is given in Chapter Seven but, for the purposes of this section, it is sufficient to note that grade 8 is senior to grade 6.

1	The only executive external to the subject company. She is Managing Director within a global investment bank in the City, has a finance background and is a Chartered Accountant.
2	A grade 6 director, his background is accountancy and finance. He has previously worked as a consultant in the one of the 'big four' firms. He now has procurement responsibility and has been with the company about 18 months.
3	A grade 6 director in the internal communications department. She has an MBA and extensive marketing experience. She has been with the company about 10 years and has risen rapidly through the ranks. Because of the nature of her role, she has frequent contact with the CEO of her particular business unit.
4	Shortly to retire, she is a grade 7 director who has been working on projects for a while. She has been with the company for about thirty years and has worked her way up from a clerk in one of the branches. Her expertise is technical, but in recent years she has been involved in general management at a high level. She has frequent contact with senior management.
5	Also shortly to retire, he is a grade 8 director who previously headed the Human Resources function. In recent months, however, he has taken on a broader portfolio of responsibility. For example, he recently managed an expense reduction project using external consultants. He has also worked extensively with the large consultancy firms on transformation and re-structuring projects.
6	She is a grade 6 internal communications director (the equivalent of interview 3 in a different business unit). She is relatively new to the company.

7	A grade 8 director who joined the company about 2 years previously.
8	A grade 6 IT director, he now has responsibility for telephony.
9	A grade 6 director with a project-based commercial role. Twelve months ago he was closely involved with a major re-organisation project, working with the CEO and one of the 'big four' firms. He was previously a management consultant with one of the 'big four'. His office is on the executive floor and he has regular contact with the top management. He has been with the company about three years.
10	A grade 7 director with responsibility for various major cost-reduction programmes initiated by the executive board. He has been with the company for about fifteen years. He has experience of working with both the 'big four' and the major strategy firms.
11	A grade 8 audit director with global responsibility. He has worked within the group for at least ten years and has experience of working with a broad range of consultants.
12	A grade 6 Claims director. At the time of the interview he was managing a major systems development using one of the 'big four' consultancy firms.
13	A grade 7 director in HR with an MBA. He has been with the company about three years.
14	A grade 6 director in HR.
15	A grade 6 director within the Executive Office. She used to be a consultant herself and has been with the company about three years.
16	A grade 6 Operations Director. He has had responsibility for a high profile, very important outsourcing project for which he used consultants from one of the 'big four' firms.
17	A grade 7 director with Compliance responsibility. He has been with the company about sixteen years.
18	A grade 7 director with responsibility for telephony.
19	A grade 6 director within the telephony area. Reports into interview 18 director.
20	A grade 6 who works alongside interview 9. They also have very similar backgrounds. He, too, previously worked as a consultant and has not been with the company more than five years. Works closely with the executive team.
21	Chief Operating Officer. He has been with the company about eighteen years and has risen through the ranks. At one time he was a HR director but has also had responsibility for Client Services.
22	Managing Director. Has also been with the company about eighteen years and likewise risen through the ranks.
23	CEO of one of the business units. He has been in post about a

	year. Has been with the company about five years.
24	A grade 6 who was recommended by interview 22 as being someone who could contribute to the research. He has worked for most of his career as a consultant. Relatively new to the company.
25	Main Board Director. Very close to the CEO for the UK. A lawyer by profession, he has been with the company for nearly twenty years.
25	CEO of one of the business units. He is new to the company.
27	Commercial Director. He has a MBA and was recommended by his CEO (interview 26) as someone who would be useful to the research. He is new to the company and has a banking background.

## **1 Skills, Knowledge and Experience**

Executives consistently stressed that one of the primary reasons for using consultants was the ability to gain access to skills, knowledge and experience that was not available internally within the organisation. The importance of individuals and their abilities was also consistently stressed so it was felt to be extremely important to meet the individual consultants who would actually be doing the work. Only one executive added the caveat that the size of the project would have a bearing on whether he did this.

Access to specialist skills was described as a business requirement and actuarial services, organisational psychology, and insight into niche markets were used as examples. Executives stressed that it was not desirable to have all the skills required in-house because this resource would be under-utilised.

‘...it’s recognised ....we can’t possess all the skills sets in IT. We wouldn’t want to have all the skills sets. Your super expert on telecomms to India, we only need for five days a year..’ (Interview 2)

‘It is appropriate to use consultants when you need access to skills sets that you would not embed in your organisation because they wouldn’t

have a long-term role in your structure....you don't want to be building a workforce that by its nature becomes redundant within your organisation.' (Interview 22)

A large part of the value that comes from using consultants derives from the experience they gain during projects with other clients. This allows them to deliver speedier and more efficient solutions by avoiding the pitfalls previously encountered. One executive described how a particular consultant's experience brought value to his project.

'She was able to draw on some of the relevant experience she's had in different organisations around the world. She had recently been setting up a call centre in Germany. It was a foreign country, it was setting up a call centre from scratch... so she had relevant experience, again, to draw on. You don't get that necessarily within a company, don't get that variety of experience.' (Interview 16)

There was, however, an assumption that clients would be benefiting from consultant's experience after they had actually carried out a reasonable number of similar implementations. Value would not be obtained unless this was the case. One executive had a salutary tale.

'They (consultants) were using us to learn the system that they were then going to implement...I suddenly thought "Blimey", my assumption that here would be some genuinely new, lots of stuff that we didn't know, was blown away by the fact that here was a bunch of guys who were literally learning the system, almost a chapter ahead in the manual, and then flogging it back to the company' (Interview 11)

Regulatory work, common to all companies within the same sector, is another example of the benefits of experience in terms of the speed with which companies are able to respond to change.

‘They are always doing (regulatory work) with our major competitors. We know we are behind the pace and by involving them, because they’ve seen and done it a number of times already, they can probably accelerate our activity because hopefully they can help us avoid some of the delays and errors that other people have made’. (Interview 17)

This executive pointed out that using internal resource will not produce the same amount of value because consultants bring a unique type of exposure to the industry. Experience also enables clients to discover what is happening in the market and what their competitors are doing.

‘They will have worked with all of our competitors (and) they’ll have a view on where we are in the market. They’ll know whether we’re at the top or at the bottom...and that’s valuable’ (Interview 13)

As well as specific experience, executives valued the established methodologies that consultants bring:

‘She came in and she was able to immediately influence and shape what was being done, how it was being done and who was doing what. She had a tool set on which she could draw, whether it be formats for doing certain things, so she was really able to access the (consultancy) knowledge base and come up with formats for relevant RFP documents.....’ (Interview 16)

‘What he (consultant) always brings is a great process that allows us to get from A to B as quickly as possible. It’s obviously tried and tested. I mean, typically, the big consultancies bring strong methodology with them.’ (Interview 20)

One executive was keen to stress the importance that she attached to the discipline around process that consultants bring.



‘I think what they are good at is structure and quite often organisations like ours....aren’t particularly good at structure. They’re much more “I’ve got to get this done....really really quickly”, and you forget process and structure around what we’re doing...’ (Interview 1)

In addition to process and methodology, executives valued the intellectual capability of consultants to the extent that such capability was credited with a unique and crucial contribution to organisational success.

‘The sheer calibre of some of the people being deployed, was very very high indeed. On a level where even a big business like (this company) were at most going to have one of those sorts of people, and maybe not even one. The fact that (consultancy) in that case, were able to deploy five or six people of immense talent, drawn from literally around the world, and deploy them on your problems for, in that case, over a year on and off, may make the difference that you simply couldn’t have generated’. (Interview 11)

Other executives made references to consultants being ‘bright’ and ‘highly intelligent’ (Interview 18) which gave them very sharp analytical skills.

‘(consultants have) the ability to take a complex problem and to break it down into the most important constituent parts very quickly.’ (Interview 18)

‘..where I think (consultants) have their greatest strength, is they are able, and are very good at, taking a strategy you build yourself and standing back and distilling it, looking at it through multiple lenses, pulling it back into a more focussed approach, so that you are therefore better able to implement and showing you where the bottlenecks are.’ (Interview 22)

These skills give consultants valuable problem-solving ability. Also, the creativity of consultants had, on occasion, generated innovation that could yield very significant benefit.

‘...what was it we were expecting from them?....For them to be able to look at our business, to spot the issues and to come up with good ideas for how to take it forward. And when I say good ideas, (this is) breakthrough thinking.’ (Interview 20)

Another executive remarked:

‘..often you’re bringing people in because they’re smarter than we are, and certainly smarter than I was...’ (Interview 4)

Executives, therefore, attach value to the skills, experience and intellectual capability that they can access through using consultancy firms. Executives did not believe that these skills were available in-house.

## **2 Skills Transfer**

Skills transfer played a pivotal role in securing value from consultancy. It not only enabled staff development, but also ensured that dependency on external third parties was avoided.

‘..it’s very important. There’s no point having consultants in to do work with you if they walk away with all the knowledge they’ve gained. Because if you need to go through the same process again, all you’re going to have to do is get the same crowd in.’ (Interview 8)

One executive described how inadequate skills transfer had resulted in a problematic situation that illustrated this point.

‘...we failed to go and grab the necessary skills from the consultant as part of the exchange process...and, as such, we haven’t been able to run the thing adequately.’ (Interview 11)

The need to avoid dependency on consultants by facilitating skills transfer was stressed by all, but this was not without difficulty because the right calibre of employee must be chosen.

‘...part of the value you get should be learning. You can only learn if you put people on with them (consultants) who can absorb that learning. Otherwise you won’t...’ (Interview 4)

Where this was possible, however, it worked well. One executive described how one of his members of staff had benefited from working with consultants.

‘He was a wet-behind-the-ears first level project manager. He came on leaps and bounds working with (consultant), to the extent that I’ve just promoted him. The way he thinks, the depth with which he thinks things through, the quality of the material he produces..’ (Interview 16)

The experience of working with external consultants was considered especially valuable in a company with a low turnover rate.

‘...new methodologies, new ways of working...just the experience of seeing how life in other businesses actually gets transacted, and that can give you different insights into maybe how we do things here. There are some people who are able to do that, but others....think that’s it, that must be how it is elsewhere, when in fact, it isn’t, so it can lead to an insular view’. (Interview 19)

There was also awareness among executives that not all skills would be valuable to the company. One executive pointed out that, although electricity was

important to the company, he would not want his own power supply engineer (Interview 18).

In summary, skills transfer was considered very valuable to obtain the best value from the consultancy services in the first instance, avoiding dependency and providing a way of developing employees and providing them with fresh views, new methodologies and skills.

### **3 Human Resource Management**

Consultants can also be used as a flexible way of managing variable resource requirements. This could, executives believed, be achieved in one of two ways. Firstly they could be used to fill in for headcount that had not yet been recruited. Secondly they could be used to cope with fluctuations in demand for such staff.

The first use was generally acknowledged to be ineffective in the long-term. One executive described it as 'lazy', another commented:

‘...actually more latterly, it’s probably...using consultants in the wrong way, almost using consultants to gap fill staff vacancies. You know, you’re short of resource, you’ve got to get something done fast...’  
(Interview 3)

However, the second use was seen as legitimate. One executive illustrated this with an example:

‘...there was a strategy in that particular area to slim down the internal staff, and bring in skills sets from outside in order to match business volume, so...we can actually downsize ourselves relatively easily without taking on the overhead internally.’ (Interview 2)

Using resource in this way was also seen as a way of mitigating risk. One executive pointed out that recruiting carries a high degree of risk.

‘..the risks of recruiting someone, you know, interview and selection processes, no matter how much each party might try and tell you are effective, they are risky undertakings.’ (Interview 18)

However, once consultants are engaged, clients have much greater flexibility to change consultancy staff without having taken any of these risks.

‘..we could have an agency or consultancy we’re happy with, but we’ll actually ask for the account managers to be changed because one of them may not be delivering’ (Interview 3)

‘The other benefit to us is that if we don’t like any of them we can get rid....certainly on the projects I’ve worked on, it’s very easy to pull one off and say “This guy’s not the right calibre, we want to get somebody else in”. So that gives you a flexibility of skill that you don’t have internally’. (Interview 12)

One executive had mentioned ‘getting the job done’ so this was followed this up with a question about using consultants as resource. He replied:

‘..that can be....very valuable where resources are tight in the organisation and you just don’t have people waiting for a job. So you can have people clued up very quickly...’ (Interview 25)

Therefore the ability to have skilled resource available at short notice to either fill specialist requirements or to work on short-term projects was valuable to this executive. Other executives described the same situation.

‘....you borrow some resources for a while to help you achieve your objectives.’ (Interview 26)

‘The organisation is resourced to a particular level and often the skills we have got in the business do the day-to-day running but when it becomes unknown, unforeseen, uncertain,.....you know, you need to get them (consultants).’ (Interview 27)

Use of consultancy therefore appears to allow executives to have access to sufficient skilled resource without having to incur either fixed cost or the risk involved in permanent recruitment.

#### **4 Speed of Execution**

However, even where capability was available in-house, sometimes executives valued the speed with which utilisation of consultant knowledge could complete a task. One executive illustrated this using the example of a requirement for a software package. They could, he said, set aside two or three weeks to research the market and evaluate packages but in reality they probably could not spare the time.

‘If we can go to one of the major consultancies that we have some faith in, and have them say, “For your size of business there are really three products you ought to consider”. Yes, that’s clearly very helpful in itself.’ (Interview 11)

The saving in time when using consultants was also highlighted by other executives.

‘...speed of execution...one of the chief problems most corporates have now is change management and executing things...but it’s also the speed of delivery...’ (Interview 2)

According to the executives interviewed, this could be due to two things. Firstly, it could be due to developed methodologies that accelerate delivery. Secondly, it could be due to the willingness and ability of consultancy firms to work whatever

hours are required to complete the project within agreed timescales. One executive gave an example of how consultants will 'drive relentlessly' by talking about a 'really bright' manager he had reporting to him and who was working with the consultants he had engaged.

'...she (the manager) was saying "well, I worked until midnight last night and I'm sorry I didn't get this done" and he (the consultant) just said "well, why didn't you work all night? You know you've just lost us a day off our project, now bugger off and don't waste my time again". You know, to (this manager) no one else would have dared do it. ' (Interview 21)

In this instance, it appears that consultants were able to treat an employee differently and make greater demands on her time than her own line management. This was valuable to the executive concerned because it increased pressure to meet deadlines.

This executive also believed that consultants can act as a catalyst for change and there appeared to be two reasons behind this.

Firstly, executives were more willing to provide sufficient resources to consultants than they were to employees.

'....if you're spending...three to four thousand quid a day on a partner and they say "we need some resources to do this" you tend to give them to those people...you automatically...will be pushed to the front of the queue if you've got a big exercise with consultants....' (Interview 21)

Secondly, the position of consultants as temporary members of the workforce allows them to behave in a way that would not be conventionally acceptable.

‘...they’re ruthless so-and-so’s really...and I’ve witnessed this, they don’t have to work with the people on a long-term basis...it’s less important for them to establish relationships.’ (Interview 21)

Politically, this could be an important source of value for executives if they need to expedite an important project. Another executive commented:

‘You often get pace and resolution.’ (Interview 26)

Consultants therefore provide impetus to projects that would not otherwise be available.

## **5 Co-Production of Value**

Executives were clear that their own role in the process was to be pro-active managers who were responsible for co-producing value. This had a number of facets.

To begin with, a ‘textbook’ procurement process was outlined by several executives.

‘...we generally set up a terms of reference to try and understand and define the scope of what they’re doing. We will then go into a pricing discussion....and then we’ll tie down a contract with them...’  
(Interview 12)

‘..when I’ve done it properly, I’ve gone in to pitch with all agreed up front criteria we’ll select against....we’ve scored independently, talked about the scores, and come up with overall scores for each...’  
(Interview 3)

Objective setting, however, was considered particularly important and in response to more general questions about the reasons they engaged consultants



and selection processes, executives stressed the need to be clear about the objectives of each consultancy engagement.

‘...for people who hire consultants, they should be really clear about what they want the consultant to do before they go out and do the hiring.’ (Interview 1)

It was clear from the responses that delivery against objectives is vital to achieving value from consultancy use. One executive was asked the following question: ‘When you come to actually assess the value, that value is assessed against, basically, getting what you have asked for?’ He replied:

‘Yes. That could be financial, it could be advice, it depends what you’re employing them for in the first place’. (Interview 7)

However, although the importance of clear objectives was consistently acknowledged some were concerned about how well this was being executed in practice. One executive observed:

‘To my mind, in the past....we haven’t been very clear about our deliverables, so the big consultancies have said, “well, we’ve delivered what we’ve said we’d do in the one page letter of A4”, but they were pretty kind of bland statements, so they could never be held accountable.’ (Interview 2)

‘I’ve seen much more of, “We don’t really know what the solution is, in terms of the broad strategy and the broad direction of the business, so against that background can you offer us some detailed solutions to a problem we haven’t really analysed yet.’ (Interview 11)

‘I’d be very interested if you could show me many consultant assignments where...(this company)...has presented a Terms of Reference. I’d probably count those on one hand.’ (Interview 16)

Another executive described how they had a set of Best Practice Guidelines – ‘classic textbook stuff’ – but did not really adhere to them. She went on to say:

‘All too often we have called people in really before we’re ready, anywhere near being ready, which means that the consultants get to drive where the objectives go....’ (Interview 15)

Executives consistently agreed that setting objectives was extremely important but an interesting diversity of views emerged on the best way to arrive at a clear set of objectives. Some executives insisted that objectives were set and controlled by them, the client, while others had a more relaxed approach. The latter group viewed objective setting as a joint process between themselves and the consultants. One executive described his experience as follows:

‘Does anyone ever write a terms of reference is a big question mark, because it’s around, “we’re thinking of doing something in this area, can you give us something to think about...” Very rarely does it get written down, quantified, qualified.....And the consultant will actually come back to you with the timetable....so you actually hand over the project to the consultant at the outset’. (Interview 5)

This appeared to be an extreme example and even this individual appeared uncomfortable with such a lack of control as he later commented:

‘If they can cut through things that will take you ages to sort out, then use them again, but don’t hand the project to the consultant because what you’ll have is a consultant who knows everything about your project, your company, he’ll come along and run it....’ (Interview 5)

Others described a joint objective-setting process that was controlled by them, the client, rather than an abdication in favour of the consultant:

‘I’d much rather work together as part of the process to put proper upfront work into planning the outcome and objectives, as part of the planned first phase...’ (Interview 9)

Other executives also favoured a joint approach to objective setting because of the additional value that input from consultants could provide.

‘Ones I’ve been involved in have been joint processes, and there’s no doubt at all, they are able to tease things out of you. They are good at doing it because they’re used to doing it.’ (Interview 16)

‘People do not form and shape objectives clearly, and in fact I think one of the things that tends to happen is people sense....that there’s a problem...and they’ll call in consultants to actually try and help them shape an objective...and that’s where you can add a lot of value because they actually help you define the problem in your own mind.’ (Interview 21)

It was stressed, however, that it should be a joint, not a one-way, process because of the danger of losing control.

‘One of the reasons you’re going for that specialised knowledge is that they can challenge you to think wider, differently. The danger is that they take it where they want to go, their agenda. So you have to have some idea of what you want to do, which is why I say it’s a joint not a one-way street.’ (Interview 16)

This kind of value erosion was a common concern and many executives were disparaging about joint objective setting.

‘..the people who do that wander all over the place and they go on a merry journey with the consultants hand-in-hand....nine times out of ten you have to have a clear idea of what you’re going to get out of this

because if you don't you'll be all over the place...I've made the mistake of engaging people and having a vague-ish idea of where I want to get to and hoping that these people can help me. It doesn't work that way.'

(Interview 25)

Executives were specifically asked about managing consultants, and responses to other questions provided a wider picture. The role of the client in producing value appeared to be broadly threefold:

- Defining objectives, or working with the consultant to define objectives;
- Ensuring that individuals from the consultancy are suitable for the engagement;
- Managing the project to ensure delivery of objectives to required timescales, and budget in some cases.

As one executive observed:

'Most of the times when things have gone wrong, it's because I haven't managed it properly...it's back to being clear up front what is actually wanted. If that changes, making that clear, and participating in reviews.'

(Interview 3)

'It's critical that you manage the consultants in a way that ensures that they're focussed on delivering what you want them to'

(Interview 8)

There was a strong sense of *caveat emptor* attaching to consultancy use and a widespread belief that consultants have as an objective the maximisation of business opportunities within client organisations.

'I think where the danger comes is where the consultant tries to put the objective in the mind of the client...and you suddenly find that the

consultant is trying to find more and more things that they can help you with....' (Interview 22)

'..they have been particularly good at exploiting the classic consultant model, which is, "I'm in there, I can see ways of promoting my cause."' (Interview 15)

The search for more business is, executives believed, a priority for consultants to the extent that it can adversely impact the quality of the service:

'For many consultancies, their first job is to find out what the preferred answer is for the people that are paying the bills and can engage them in future consultancy.' (Interview 18)

Another executive described the way that consultant engagements grow if not managed properly.

""Scope creep"" is the technical term for it. It's prevalent and it is probably the primary factor in erosion of perceived value'. (Interview 24)

So, consultants needed to be well managed not only to ensure that they delivered set objectives, but also did not unduly expand the engagement and so increase cost and reduce value.

## **6 Approaches to IT and Strategy Consultancy**

During the first ten interviews, one executive was asked specifically whether he thought there was a difference between the way that IT consultants and strategy consultants were engaged. His answers indicated that this may, indeed, be the case.

Firstly the requirements for IT were more clearly defined:

‘...I think the requirements are better understood up front with IT than they are with others because it would be about particular technical skills, or particular types of IT deployment skills’. (Interview 9)

This in turn impacted the process which could then be more structured and the service treated more as a commodity.

‘For IT....we were looking to engage someone to help us with delivery of technology infrastructure.....and there we went through quite an organised process...of getting down to a shortlist of evaluation questions, wading through evaluation questions and then going through a beauty parade and scoring process, and then selecting a partner.’ (Interview 9)

This can be contrasted with the same executive describing how they selected a consultancy firm for some strategy work:

‘...we were talking to a lot of the major consultancies at the time, about life and the universe and how they might help us. And there it was (consultancy) were the people who talked in a language that we were talking....they understood what we wanted to achieve, they knew what target operating was, what it meant, and they could understand and suggest ways of going forward, and going about it. And others just didn't have that thing.’ (Interview 9)

The process was clearly less structured and selection based on ‘talking the same language’ rather than the ‘organised process’ in the IT example.

Executives acknowledged that there was a difference in the way both types of consultancy were procured but this was related back to the reason for engaging them in the first instance. So, for one executive it was the difference between

consultancy for knowledge and consultancy for resource, while for another it was about strategy and implementation.

One executive (Interview 20) gave a particularly comprehensive classification as follows.

‘Stratospheric’ strategy consultancy. ‘I’m looking for real expertise to come in and real insights to the market place...For them to give us insights into what other people were doing. For them to be able to look at our business, to spot the issues and to come up with good ideas for how you take it forward. And when I say good ideas, these are breakthrough thinking.....’

High Level Strategy. ‘The second category is where you’re trying to translate high level strategy into effectively a change programme for the business.....that’s about process, that’s about methodology, that’s about being very canny in terms of how you engage with an executive team and with senior management and bring them along.....In (this) middle category you have to be good at relationship building.’

Tactical (typically an IT implementation) ‘You’re looking at track record, you’re looking at organisations that again have very good process, very good methodology....you’re very very focussed on the outcomes they’re going to deliver...you’re much more careful about time boxing and actually understanding what the project’s about, how much it’s going to cost and managing the cost of delivery.’

This classification demonstrates the difference between procuring IT consultancy and procuring strategy consultancy. However, this is not because it is IT consultancy *per se*, but because it has particular features and can be classified as tactical implementation consultancy.

In other interviews, however, strategy procurement had distinct characteristics. One executive described the procurement of strategy consultancy in the following way.

‘It tends to be very secret, it tends to be at a very high level....so its going to be more gentleman’s agreement-like. And almost, from what I’ve seen, if you need to ask the price, you can’t afford it. There’s almost a face-saving element to it which is, “I want you to come in and do this, so we’ll talk about the money later Bob.”’ (Interview 15)

The relationship is one-to-one and the executives involved are reluctant to directly address cost. This was also confirmed in other interviews.

‘..in terms of price negotiation I have somebody who’s specifically set up to do that and he can be the bad guy....I’m always going to be the smiling face to the consultant.’ (Interview 23)

‘..he (CEO) would not negotiate money, he would ask me to do it. If someone was overspending on expenses, he wouldn’t tell them, he would ask me to do that. I mean he wouldn’t take any of these up front, rather dirty things to do, and people will go round the back door to him...And he’d say “did she really say that?”’ (Interview 4)

The same was true of commercial terms.

‘There is no other area where I could.....go to a supplier and say “you’ve got the work.....send us your standard contract, we’ll sign it”. It’s done on a very personal basis....’ (Interview 18)

This is explored in more depth in the section below on Personal Relationships.



In summary, executives agreed that there were differences in the way that IT and strategy consultancy are procured. For IT consultancy, it was much easier to define the objectives and there was less sensitivity about discussing cost.

## **7 Technical Quality and Functional Quality**

When addressing the difference between functional quality and technical quality, descriptions were given to ensure consistency. Functional quality was described as account management, relationship management and all the ‘soft’ things that help deliver the product. Technical quality was described as technical knowledge, quality of advice, quality of the end report.

No executive believed that the distinction between technical and functional quality was valid. In all these cases, the service was described as ‘seamless’ or ‘overlapping circles’ and that functional quality was just as important to delivery of a satisfactory result.

Those elements described as ‘functional’ were seen as key to delivering the service so it was not possible to separate them out. One executive observed,

‘I’ve always seen it as more, as seamless.....In most cases you’re choosing them because you know they’ve got the skills.....they’ve got the technical knowledge...(but)...they’ve got to be able to sell it to you. A consultant who comes to a meeting and is unable to sell a solution, it doesn’t matter how good the technical skills are..’ (Interview 5)

To get value from consultancy services, therefore, clients require far more than just the technical skills alone: communication skills are vital.

Another executive described how projects fail if consultants do not engage with key stakeholders within the business. As well as the ability to communicate and ‘sell’ ideas, skills described as ‘functional’ were required to be able to gather information and understand the problem.

‘To actually produce that report that comes up with the recommendations....I think it’s very difficult to achieve unless, as the consultant, you’ve had the account management that says, we understand this client, we understand the issues here...even down to how they want the thing presented in a way that will help them understand it in the most effective way.’ (Interview 6)

In describing the skills required to deliver quality service, executives presented a picture of a requirement for an active engagement by consultants with their clients that went beyond the usual doctor-patient metaphor. The ‘patient’ is not passive and does not automatically accept recommendations: they have to be ‘sold’ and the client ‘influenced’. Additionally, in order to collect the information, the consultant has to use highly effective inter-personal skills.

Executives therefore struggled to apply the functional and technical quality distinction to consultancy.

## **8 Personal Relationships**

The interviews addressed the way that relationships between individual consultants and executives not only develop but then affect the way that consultancy services are procured. When asked about the relationship aspect, the responses of some executives indicated that it was extremely important.

‘it (the relationship) counts for an awful lot, it’s core to the consultancy getting the work, and certainly, that comfort factor is very important to all the executives, because they probably share more internal thoughts with the consultants....they use them as a basis for sounding off decisions that they’re going to take...’ (Interview 2)

‘..the relationship is the life blood for the consultant and the consultancy.’ (Interview 24)

Specific reference was made during the interviews to the strength of relationships at a very senior level and the effect that this could have on selection. One executive referred to this as ‘the CEO effect’ (Interview 3)

Another executive described how the need to have a relationship is driven by the inability to judge quality of services in advance and also by the fact that it would be inappropriate to take references from competitors. So, having experience of a firm gives a degree of comfort:

‘..why would you use Accenture as opposed to KPMG, or Price Waterhouse, or Towers-Perrin? It will often be around, “what have we done with you before..?”’ (Interview 5)

‘(Senior executive) has a close relationship with (consultancy). She’s worked with them before, she knows they can deliver. If she’s got a really important, difficult piece of work, why would she not go to them?’ (Interview 15)

Other executives also recognised the dependency on individuals to ensure quality of service and one stressed the need to understand the people who were available in the market.

‘...it’s only as good as the people, and often you don’t know how good the people are going to be, and therefore your issue is about getting to know, being networked into the market, understanding who’s there, but it’s very difficult to stay current because these guys and gals, they move around so much..’ (Interview 27)

In addition to providing reassurance about quality of service, building a relationship allowed a degree of trust to develop which was considered important given the sensitive nature of information being exchanged. It allows clients to

feel safe in giving information but also has the advantage of putting them in a position to receive market intelligence that would not otherwise be available.

The use of consultants as a member of an executive's network was frequently mentioned as a way of acquiring market information.

‘A good member of your network, a really good member because they're so heavily networked themselves.’ (Interview 21)

‘You can pick up bits of information from them about what's going on in the market, who's doing what. You get snippets of who they've been working with recently and stuff like that.’ (Interview 16)

‘You do find out something about what's going on in other companies. They won't tell you who it is...but they'll tell you there's somebody else who's doing something in the same area.’ (Interview 5)

In circumstances where the executive may feel vulnerable, trust in a relationship is extremely important.

‘...(the CEO) had a good working relationship with (this consultant) who knew and understood our business. And this was at a time of course when (the CEO) didn't, remember he'd just come from (another market sector), so he needed more hand-holding than normal. Therefore he probably needed to trust even more than usual the person concerned.’ (Interview 4)

‘...particularly with the Board, it's people they know, which is a bit more than trust. So (former CEO) for example was extremely close to some of the people in (consultancy). So, yes, he trusted them, but there was actually more than that. He really felt that if he needed someone, they would be there.’ (Interview 15)

Another executive described a situation where trust had been lost and she felt that she would never be able to work comfortably with that particular firm again (Interview 4).

Because they are between individuals, the strength of personal relationships between executives and consultants can survive a change of organisation.

‘...there are pet consultants who come with senior people from previous places’ (Interview 3)

‘I can think of at least three or four cases where people have moved on to new companies and that relationship’s been taken with them....’ (Interview 20)

‘This particular partner had worked with one of our directors before. So there was a track record there..’ (Interview 15)

‘..you might ask, “why on earth did they choose that one?” And the answer very often is in long-established networks of previous contacts, of previous work done with them in previous guises.’ (Interview 26)

An executive who had worked for several years with a major global consultancy observed that individuals were specifically recruited by consultancy firms because of their relationships.

‘..you do buy in partners because they are pals with, they play golf with the CEO at Unilever....you buy them for that reason..’ (Interview 24)

One executive described how the existence of relationships had lead to different parts of the organisation adopting different solutions to the same problem when this was detrimental to the organisation as a whole.

‘Really there probably should have been only one answer to this, and it wouldn’t have mattered which of the consultancies you used as long as you used the same one. Why did we use two different ones? Because, in effect, two different people had relationships.’ (Interview 5)

The success of these relationships depends to large degree on the ‘chemistry’ between the individuals concerned. Where this ‘chemistry’ works there is potential to develop very strong relationships that will last over time.

‘The selection had an awful lot to do....with who the CEO and the MD...knew and were comfortable with personally..’ (Interview 4)

‘There’s some guys who’ll come in and do a decent job for you and you’d never talk to them like that. There are other guys where you form a relationship...it doesn’t happen a lot of the time because the chemistry’s not there. Once the chemistry is there, it’s very powerful’. (Interview 21)

‘Finding the right partner that you can trust and work with is clearly vital....and it’s fascinating to watch some of the engagements with (consultants) where you’ve got the top executive.....and a number of partners come through and then suddenly they latch onto one because they feel they can work with them and....that starts to build very long relationships...and consultancies get a great foothold into an organisation.’ (Interview 20)

Other executives described a more *ad hoc* approach to relationship-building but one that nevertheless clearly showed an established relationship with a specific individual.

‘This morning I’ve just had an hour’s catch-up with (consultant) from (firm) who’s their senior man for us and I’m meeting him on a quarterly basis just for general catching up.....they will bring in experts from

various countries but my relationship would still tend to be with (him)..’  
(Interview 25)

An executive who had said he believed the relationship to be critical, also described it in terms of friendship, saying:

‘I regard him (the consultant) as much as a friend as I do a professional colleague and it’s worked extremely well.’ (Interview 13)

Within this particular working relationship, the executive and the consultant had developed a great deal of trust that enabled them to have a very honest exchange of views. As an individual, the executive felt that the consultant had ‘humility’ and this made working together towards a solution not only possible but also very productive.

This executive also felt that he benefited from the honesty with which this particular consultant approached the engagement. He described a relationship where the consultant uses objectivity to give the client an honest appraisal, whether it makes him popular with the client or not. As he pointed out, this can be a difficult thing for a consultant to achieve.

‘It’s a trade-off between giving your client a hard time versus giving them something that they want, which means you get repeat business. It’s a difficult dynamic’. (Interview 13)

Other executives also highlighted the importance of having a working relationship that is open enough to enable the consultant to give honest, and therefore valuable, advice.

‘We actually got on well together. We are of a similar age and we had an agreement up front that we would speak frankly to each other.’  
(Interview 17)

The relationship enabled the executive to be confident that feedback was honest and not given in order to secure more business. The wariness with which executives viewed pitches for more business was apparent from many interviews. A good relationship allows this concern to be minimised:

‘It’s the ability to talk to somebody, and to be able to have a fairly honest, open conversation with them, and not all the time having to absolutely be on your guard, because there’s a kind of chink that they’re looking for, that typically is a sales opportunity.’ (Interview 19)

Significantly, the relationship quality provided value in terms of a more productive interaction. At a very senior level, relationships appear to be one-to-one relationships with consultants who have ‘credibility’ in the eyes of their clients. Executives at this level find them useful informal contacts who they can talk to as an equal about issues important to them.

‘..because at my kind of level you don’t do business generally with consultancy firms. Actually what you do is business with a partner because there’s...one person in there that you think, you know, understands your business or is convincing in what he does. Now...might not be anything in it for him, but you talk about some stuff with him. So, at the very top level in terms of strategic, that individual, that credibility there, somebody who knows your business or you are convinced can help you, is very important.’ (Interview 21)

A trusted consultant also appears to be able to give feedback that it would not be possible for an employee to give. The same executive recalled a discussion over dinner with consultants and his CEO.

‘(The consultants) were going through our top team and saying “have they got the will and have they got the skill?” And that was interesting for (CEO) ...because these guys knew of the business and they could do a rough benchmark of our executive team’. (Interview 21)



Very few people within the organisation would be able to provide such candid views to such a senior executive. Receiving negative feedback can also create difficulty but is necessary. The executive stressed that this does not happen with all consultants, just those with whom a good relationship existed.

‘...you might ask the question, can you hit it off with somebody who is holding that mirror up, who is saying how really you’re not doing your job? Well, you can. You can because...you need all the help you can get’. (Interview 21)

Not all executives agreed with the value of creating a relationship with selected consultants. One described a very *ad hoc* approach to maintaining relationships, and added:

‘...I think actually it could be a nuisance if consultants are trying to stay in touch too much’ (Interview 22)

Another executive commented:

‘I have contacts with most of the consultancy firms, and we meet and we share market information and ideas, but we’re never giving each other 100% because you don’t give away...and in all of my meetings if it reduces to seeing only one individual of value that relationship will end pretty quickly.’ (Interview 23)

Notwithstanding some dissenting voices, most senior executives interviewed appeared to have, or know of, one-to-one relationships with the relevant opposite numbers in the consultancy firms and to find these valuable. The credibility of these individual consultants was very important, however, and in some cases, the relationship was more important than the firm.

What also became apparent was that these relationships had, in some cases, a psychological support function. One executive involved at a senior level in developing strategy, commented:

‘..we’re asking for someone to be on the bridge with us, as a coach, partner, mentor..’ (Interview 9)

and later,

‘The individual is actually quite important in terms of their credibility and their ability to work at that level...Get some real help on the bridge, help at the top level...The gap is people who can just be wise monkeys on the shoulders saying, “What about this? Shouldn’t you be thinking about gearing up for this? What are you going to do if that goes wrong?”’ (Interview 9)

Questions that sought to uncover the psychological stresses of being isolated in a senior position and needing an equal in whom to confide, provoked interesting responses.

‘What I’ve found probably is the further up I have gone in the organisation the more isolated I’ve become. And the more isolated I’ve become has meant that I’m more likely to need A N Other, somebody I can actually bounce ideas off and, I guess, share thinking with....if I think about the CEO it must be very lonely, right at the top as the CEO because who do you actually confide in? (Interview 13)

Another observed:

‘I think the person who’s leading a big change programme ...is actually quite lonely. A lonely and quite scary existence. If I was in that position, I would want someone who’s sitting on my shoulder, who’s done it before, and is quietly whispering in my ear to say “that’s the

direction you need to be going” or “watch out over there”...it would be the first thing I’d have in place.’ (Interview 20)

In cases involving extreme pressure, the support of an external ‘equal’ is therefore often sought.

‘A good consultancy.....is a bit like the pilot bringing the ship into port. They are totally trusted by the Chief Exec., seen as a sort of comparable expert to the captain of the ship....it builds huge trust for the future as well.’ (Interview 11)

Working together with a consultant during difficult and stressful situations can have the effect of strengthening existing relationships.

‘If a top executive in an organisation has had a consultant working alongside them and they’ve succeeded and delivered, they’ve gone through the pain, they’ve lived through it together, that’s quite a bond that develops very strong business relationships and consultancies feed off those’. (Interview 20)

There was also the sensitive area of giving ‘coaching’ to executives. This is value in the sense that consultants are supplementing the executive role itself and acting as ‘helpers’ and mentors.

‘They may even stray into providing leadership in certain parts but often I put that word “leadership” and bracket it and put “coaching”...actually in looking at strategic problems or fundamental business issues that there is some coaching in how to solve the problem.’ (Interview 26)

‘There are consultants who do a great job of embedding themselves in organisations. Generally that’s when they’ve become a coach...A coach is somebody that plays an important role in the business. So a lot

of times when the consultant relationship compacts, collapses into an individual because he's become a coach.' (Interview 23)

'..they become so familiar with our business and our people, they become a cross between management coaches or executive coaches and business advisers'. (Interview 21)

Another executive gave an example of the context in which this kind of relationship could develop.

'I think the feeling that he (former CEO) wasn't up to it, needed someone to help....it was a clear recognition, "I don't have the skills to do this, you do, together we complement each other..." (Interview 15)

Executives may not have all the necessary skills and experience on the day of their appointment so need support from a trusted source.

'A lot of people come up through an operational route and they just do not have the skills or experience to deliver major change and to realise the benefits. So, I think, you have to have the people who are experienced to be able to do that, on the bridge.' (Interview 20)

The strength of these relationships will clearly influence selection in those instances where there is a selection process.

'Quite often people will know who they want...and then they're just using the scoring system to justify a decision they're going to make anyway....I've never seen a process that was completely objective.' (Interview 9)

'If you actually asked probably twenty people around this organisation, at senior levels, who would they use for a specific piece of work, you'd

probably get five different answers. It depends on who they've worked with, who they know, who they like.' (Interview 5)

There were also examples of relationships at a senior level in the organisation influencing the use of consultants within the organisation and circumventing any structured selection process.

'....others (consultancy firms) are gifted to us. (Firm) very recently engaged with us on a strategic review that was gifted to us by (CEO). So you kind of say, "Thank you for your gift, yes we'd love them to do a strategic review and work with us"'. (Interview 9)

In other cases the executive may simply go to the consultant he knows and feels comfortable with.

'The danger is if something comes up and time is short, I'll pick the phone up to an individual I know.....a lot of it comes back to the empathy they managed to create up front.' (Interview 11)

Personal relationships, therefore, have a pivotal role in the way that management consultancy services are procured because of the need for trust in sharing ideas and information, and also in trusting that the quality of the services would be good.

## **9 External Status**

The external status of consultants has several effects: perceived credibility, the ability to give feedback to senior executives and the management of internal politics. The brand of a consultancy was also an important factor.

Brand was seen as important for different reasons, such as a signal of trust or an indication of the quality of resource.

‘...I’d have to say it does have an impact, without a doubt because good brands give a stamp of trust....that they’ve got a credibility that they’ve delivered over many years to many people. ’ (Interview 3)

‘(Consultant) brand name would carry more weight than an individual consultant no matter how skilled that person would be..’ (Interview 25)

‘...if you say, “and Fred says this” people say “who’s Fred?” Whereas if you say Ernst and Young say it or McKinseys say it, then it carries brand strength.’ (Interview 26)

In a changing environment, there was a belief by some executives that the consultancy firm should, and did, hire good people, train them and provide some kind of quality assurance around their personnel. Whilst some expressed doubt about this, for others the consistency of high quality people was a good reason to be using consultancy firms. Talking about a particular firm, one executive commented:

‘..I think it’s the certainty of people...they’re not called androids for nothing...I know from working with them that you get consistency.’ (Interview 9)

Brand was consciously used by executives to validate decisions and recommendations both internally to staff and to more senior executives.

‘Brand has a significant benefit. It might sound crazy, but there are times when you could do the work in-house ....If the outcome of the work you’re wishing to do, if you like, is a message that the organisation as a whole might not wish to receive...so when you talk about brand, if you’re talking to KPMG, PWC-type response then it, by definition being the organisation that it is, the message that you’re conveying is treated with far more trust.’ (Interview 8)

The interviews also demonstrated that executives use consultancy as a means of adding credibility to their own recommendations so that they can be taken forward.

‘...we’ll get someone else to do it because it’s the only way we’ll get credence for what we’re doing.....’Well, I’ve been saying that for six months, but bring in (consultancy firm) and they say it, and everyone pays attention.’’ (Interview 15)

The suggestion that value accrued to executives through the validation of their recommendations by consultants was explored in greater depth. All executives who were asked the question confirmed that consultants were indeed used for this purpose, even when they believed that internal resource would suffice.

‘..we do tend to go to consultants too easily, without tapping into the expertise within the organisation...and one of the reasons you do that is confidence/security. I’ve no doubt at all we could have done lots of what we’ve done (on this project) tapping into existing resource. But there’s a confidence factor in making that sort of leap of faith that, yes, these people would be able to dig around, find this out, shape that..’ (Interview 16)

One senior executive described how a consultant’s recommendation gave him the reassurance to press ahead with a particular course of action.

‘...the business has a certain amount of faith in their own capabilities, but it only goes so far...my background as an accountant wasn’t (in this area), so I think for me it did give an immense amount of extra weight to the proposal, to be able to say, “And it has been reviewed by the...expert.”’ (Interview 11)

There is an assumed objectivity behind the brand of consultancy firms and executives prefer to deliver unpopular decisions with verification by a strong external third party.

‘Often, I’ve seen cases where we’ve had the experience in terms of doing something but, it’s the objective seal of approval or just the name, the brand that made the difference. Yes, absolutely. And often, on cost-cutting when it’s not rocket science.’ (Interview 25)

Junior executives believed that senior executives had far more confidence in a recommendation if it was endorsed by a consultant. That such an endorsement added ‘credibility’ to a proposal, that it would not otherwise have had, was a constant theme. One executive described how he used consultants for this purpose.

‘I’m smiling because it’s absolutely the case. They won’t take it from me but they’ll take it from (consultant).....You do, and with the Chief Execs, you do use consultants outright....to get execs to hear a different voice saying it, rather than it being mine. Because when I go into the room, people already have preconceptions about me and my values, and what I’m trying to do. And sometimes it’s good to say, “This is not (me) this is people from the industry saying, this is what your competitors are doing”.’ (Interview 17)

Another executive who was close to a senior executive team observed:

‘Why isn’t it that companies have been able to build their own internal consultancies and be successful? They haven’t. People do turn to external advice and seek external support. And I think a lot of it happens to be a sense that I’ve tested this with someone outside and this is what they’re saying and it has validated what I was thinking and I’m more willing to go ahead with it. Which is bizarre but it does happen.’ (Interview 20)



This individual also described how consultants behave differently to employees in a boardroom environment.

‘...some issues have been discussed but we’ve never really nailed things....another item has come in where consultants are involved and the issues will come out and the consultant will not let it go until we resolve things. Because...he clearly feels he’s in a much stronger position to challenge the Executive Team and get to a point where we’re actually breaking through issues and actually coming out with answers and moving forward.’ (Interview 20)

Part of the reason for the different behaviours may be the need for ‘self-preservation’ felt by employees and highlighted by the same executive:

‘(a consultant can) just ask the naïve questions and get away with it. So if he’s trying to get to the bottom of something, he doesn’t have to worry about how those questions are going to come across....they’re going to be able to walk away...(whereas)...myself dealing with those guys, I’ve got to live with how I deal with them.’ (Interview 20)

Other executives concurred with this view.

‘...(consultants) sit above internal politics. They can ask the question that nobody else wants to ask, because you can’t ask it, and they can do that with impunity.’ (Interview 15)

Consultants had elevated levels of credibility and this was brought out in stark terms by one executive in particular.

‘...the big criticism of consultants...is, they’ll borrow your watch and then tell you the time. And, to an extent it’s true because they replay your own ideas back to you, but guess what, you listen to

them....because they somehow seem more credible than you...these guys know what they're talking about....simply by being outsiders they actually add this kudos, this credibility to something...and it's "life ain't fair" but this is what happens'. (Interview 21)

'You don't trust your own people really...consultants have more credibility than your own people generally speaking because it's their business to be on top of latest developments, to be aware of what's going on in the market. They clearly will know what your competitors are doing.' (Interview 21)

In one case, the executive was almost in awe of the consultant.

'Do I really know what the consultant is doing? Do I really have the temerity to challenge what the consultant is doing? Particularly if the consultant is big, respected and quite clever.' (Interview 5)

Consultants could use these elevated levels of credibility to influence senior executives in a way that employees could not. Junior executives were aware of this and manipulated consultants to help them achieve their objectives. One executive described how he had once got the wrong consultant working for him.

'...what we wanted was someone who could engage and influence at executive level, and help us to engage the executive on the piece of work....(we needed) much stronger influencing skills, much more credibility at a senior level....someone who could really deliver a big chunk of change if that's what you wanted.' (Interview 9)

The issue of trust was raised by others more explicitly:

'I'm pretty sure we'll believe something when a consultant tells us and we pay for it, and we don't believe it from our own people. We will recruit from outside to do jobs we've got people perfectly capable of

doing on the inside. But we don't. Because we can see their warts, we don't appoint them. We go and look outside and you don't see any warts, not to begin with anyway....' (Interview 4)

There also seemed to be a fear of losing ground against competitors. Consultants provide a degree of comfort on this point because they work for a variety of clients in the same industry. Executives therefore assume that consultants have better knowledge of what their competitors are doing because of their external status and direct exposure to the market.

'At the end of the day you've got a better diagnosis of the issues, because you're actually importing in experience which is not organisation-bound. It's market-bound by definition of where people operate. (Interview 26)

In addition, there appeared to be a lack of confidence, or at least a need for comfort, where there are greater risks.

'What we're doing is very important to our future commercially. So the question naturally arises for everyone to ask "how do we know that it's really been done well?" Or, "did the local management have a particularly powerful paradigm of its view of the future that it's followed very well?" but actually there was another model...that could usefully have been taken into account. And typically I think your consultancy firm are quite useful in validating the policy and sufficiency of what's been done'. (Interview 26)

This need for a second view was identified by other executives who spoke of it in terms of 'confidence' and 'reassurance'.

'There's an issue of corporate confidence. Corporate confidence in very big organisations seems to be enhanced by external consultants.' (Interview 12)

‘I can see that the use of consultants just creates more confidence at executive level, that we’re getting a better answer.’ (Interview 20)

‘You never believe your own people, so prophet in his own country stuff...but if someone else comes in and they’re a partner...and suddenly it must be true because they know more. It’s really a self-confidence point from an organisation.’ (Interview 15)

‘I need somebody else to either say to me, “that’s just how other people are seeing it as well” or “Actually you’ve missed something here.” So, reassurance for me.’ (Interview 17)

Pressure to ensure that the organisation has made the right decisions and is managing its operation efficiently is intensified by increasing regulation. This increased pressure exacerbates the feeling that a second view is required.

‘..as governance changes its shape...independent corroboration of everything that a management team says is regarded as helpful...’ (Interview 26)

Indeed, the external view that consultants provide can often enable a different perspective to be taken.

‘..by tapping into the right type of consultant you are certainly opened up to a wealth of experience and expertise and insights. And that is invaluable in some of the things we’ve been dealing with in (this) business...’ (Interview 20)

Several executives thought that, in a company with a low turnover of staff, they needed these fresh views and different experience.

‘I think if you’d recently recruited some senior managers into the organisation, you wouldn’t use a consultant...If you’ve got an organisation that’s been fairly static for many years...the desire to bring in people would be greater, because the answer is always going to be a slight variation on a theme if you’re using your own people.’ (Interview 8)

The tendency to insularity and the dangers that this presents in terms of stagnation were also expressed by other executives.

‘...you’ve got a very insular company here, with the senior people having been in the same function for fourteen plus years. It’s nice to show them that it doesn’t have to be done by the same people in the same place....’ (Interview 9)

One executive, however, was cynical about this view.

‘..even if it’s not true, companies will feel that they don’t have that breath of fresh air unless they bring consultants in.’ (Interview 15)

Executives also believed that the external nature of consultants allowed them to be extremely forthright in the way that they engaged with their clients. Employees, however, have to manage within a hierarchical structure and are therefore forced to be more guarded in their responses. One executive described a consultant who became very familiar with the business and the people. He recalled a conversation that a particular consultant had with the CEO over a dinner at which he was present.

‘...(the consultant was) talking about our business and weaker areas of our business and challenging you know, “what are you demanding of this part of the business?” You know, “have you cornered this guy yet?” And sometimes they hold that mirror up, that no one else can.... (Interview 21)

‘...it’s not like me saying to (CEO), you know, “what are you doing about this?”...Now, I have a pretty good relationship with him and I do challenge him on stuff, but there are some things and some relationships where you can’t do that, and that’s where a consultant can be very very valuable.’ (Interview 21)

Consultants can challenge the hierarchy in a way that employees cannot. This was also true in the relationships between executives and consultants. Executives consistently said that a good, value-adding consultant would be honest and forthright in the way that they expressed their views.

‘...a consultant that’s prepared to come in and “hold the mirror up” and get you to recognise those issues. That’s valuable, that objectivity coming up when you least expect it. And not having the history, the baggage, of being part of that organisation.’ (Interview 6)

One executive was very clear that part of what he regarded as ‘good’ consultancy was ruthless honesty even if this meant losing business.

‘..you can have them (objectives) tested and it may well be that they make you think again. “Well, hang on a second maybe this isn’t, these aren’t the right objectives to have” or maybe “I don’t need this project”. And certainly I’ve had experience with some consultants who’ve really helped clarify that thinking, rather than blandly going off, and that’s the problem.’ (Interview 25)

Executives also used consultancy for the purposes of managing internal politics.

‘A key role to me as the client is to help me negotiate the politics. I mean a good consultant will very quickly weigh up the people he’s dealing with, understand the baggage they’re carrying and will adapt his style accordingly’ (Interview 20)

‘..there have been cases where only by getting it outside have we faced the issues and brought them to bear.’ (Interview 11)

The ability to manage internal politics was consistently seen as crucial to success.

‘..there are some parts of (this company)...where a non-political person just wouldn’t make anything happen...’ (Interview 15)

The ability of a consultant to break any political impasse and influence the senior executives concerned was seen as a vitally important skill. One executive described how a consultant had spent time with him trying to understand the personalities that he would have to manage.

‘..one by one round that Executive table, let me just understand those people, understand what makes them tick. And he uses that information in terms of how he deals with them.’ (Interview 20)

Other examples were given of how executives used consultants for the sole purpose of resolving political conflict.

‘I sat in one meeting with (consultancy) where before we’d even engaged them, we knew what the right answer was. However, getting the various sides to buy into it was beyond our internal capabilities, way beyond. And I went into one meeting where two internal people, opposite ends of the table, literally on their feet banging the table and swearing at each other at the earliest meeting. And yet by the end of the engagement (consultancy) had got them both willingly to sign up to a proposal that they wouldn’t normally have accepted...we weren’t engaging them in terms of technical skills...we were actually engaging their brokering services.’ (Interview 18)

Consultants are therefore able to use their external status to produce results that are considered beyond the capabilities of employees.

A senior executive who referred to this process as ‘facilitation’ confirmed the point.

The other thing that you’re often getting is facilitation, because organisations often in order to make some complex decisions need an awful lot of facilitation.’ (Interview 26)

In summary, the fact that consultants are external to the organisation had extremely important benefits for executives. In particular they were used to validate decisions, give reassurance and manage internal politics.

## **10 View of Employees**

Executives had a positive image of consultants, albeit with important caveats. Employees, however, were generally viewed less favourably in terms of both their abilities and their objectivity.

One executive was explicit about what he saw as the possible drawbacks of using employees who have become entrenched in an organisation.

‘...if you spend too long in an organisation, often your job has become dependent on pleasing your boss, saying the right things, often obeying a hierarchy...I’m not saying it permeates everywhere but it’s certainly a reality that if you don’t move around a lot you end up on a corporate wheel and you see avoidance, disengagement, failure to confront, easy lives, all sorts of various behaviours that don’t go with necessarily challenging yourself hard enough.’ (Interview 27)

Employees were seen as having vested interests in the outcome of projects and so could not be truly objective.



‘....it gives weight to something to have it externally objectively validated by people....whose jobs and careers aren’t tied up with it.’  
(Interview 9)

‘..you cannot be a prophet in your own land....I guess we trust outsiders more than our own people. Maybe because they don’t have a vested interest...I might be saying “this is going wrong and you shouldn’t be doing this here” because actually I don’t like that person. You know, I want that job or whatever.....’ (Interview 4)

‘...politically sometimes you need to (use consultants) because you’re perceived to be carrying your own message.’ (Interview 8)

These perceptions could lead to negative attitudes towards employees.

‘You don’t trust your own people really.....’ (Interview 21)

There were also doubts about the abilities of employees to match the standards of consultants.

‘They (employees) would have just sat there and reinforced their own prejudices again and again.’ (Interview 9)

‘..even though we had a lot of people in the organisation skilled in project management, we didn’t have anyone who was quite good enough.’ (Interview 26)

On skills transfer: ‘The opportunity’s there.....the practical application of it is we often can’t find the calibre of bright staff to work alongside them (consultants) to learn the tools.’ (Interview 12)

These comments are particularly interesting when juxtaposed against the following comments about consultants.

‘Using consultants can show what talent actually looks like, compared to what we might think talent looks like.....actually a bright young college graduate can pick up ninety percent of what that person does in a couple of weeks, and you thought that person was indispensable.’  
(Interview 9)

‘Their analytical skills are way in excess of what we would have internally.’ (Interview 12)

One executive observed that perceptions could be manipulated by consultancy firms who have dedicated marketing departments.

‘...we don’t do ourselves any real favours in the way that....we sing about some of the successes that we have. And other companies, particularly external companies have whole departments that do just that.’ (Interview 19)

Some executives defended the abilities of employees, saying that internal capability was often underestimated. The *ad hoc* comments throughout the interviews however, show that a negative perception does indeed exist.

## **11 Environmental Pressures**

It emerged from the interviews that executives felt under pressure from a variety of sources and these pressures often directly resulted in the use of consultancy.

The pressure to achieve targets within a short space of time was a common factor.

‘...you’re short of resource, you’ve got to get something done fast, there’s usually pressure from someone else that wants something done fast, so it’s not totally within your control...’ (Interview 3)

‘If you don’t have the time when you’re operating up here at strategic level to take a view of the world, decide on a strategy approach, yes you need help...’ (Interview 16)

There was also power-based peer pressure.

‘Even at a senior level, if your boss says this is a good idea, there’s bound to be some peer pressure..’ (Interview 3)

In an increasingly competitive market, there was the additional pressure to innovate.

‘...it’s the innovation, it’s the new thinking....you’re always pushing up for the next concept, the next approach, the next technique...’ (Interview 6)

‘...getting understanding of the key issues and coming up with relevant innovations or creativity.’ (Interview 14)

In addition to increased competition and the need to innovate, the regulatory framework within which the organisation operated was changing, executives felt, on a scale that was unprecedented.

‘We’re in the middle of the largest degree of regulatory change that there’s ever been in the industry.....We will say that the star exploded or something in the early years of the twenty first century and the degree of change actually re-shaped everything that was going on.....Every night I go home with a headache...because no-one knows how it’s going to map out.’ (Interview 26)

The cumulative effect of change on such a scale is a highly significant amount of uncertainty and risk for the executives who have to manage within such a context.

‘What is it going to take to win in a regulatory environment that hasn’t yet happened, with capital requirements that haven’t yet been worked out, with product and customer offerings which we think are going to have to change radically?’ (Interview 26)

Consequently executives feel the need for a second opinion on any significant course of action so that they have the best chance of taking the right decisions.

‘I can’t afford for my view to be the only view, because I can’t afford for me to have got it wrong and then find out, three years later, we’re in the wrong place.’ (Interview 17)

In general, the issues with which executives struggle have increased significantly in complexity making their roles more difficult.

‘...if you think how businesses made decisions back in the 60’s, 70’s 80’s and 90’s and look at the complexity of issues that you would actually see on a management’s agenda to deal with and the time to resolve them....Not only is the complexity gone up, the ability to see into dependencies and relationships between various forces or issues within a business is such that you’re doing an awful lot of mental agility....’ (Interview 27)

The cumulative effect of the pressure from these sources can lead to feelings of loss of control. Significantly, this can then have an effect on the way that executives engage consultants.

‘..there’s this “best practice” route that I logically and rationally know is the route, and then you get forced off that road, which is actually quite an uncomfortable feeling..’ (Interview 3)

‘Quite often clients can engage consultants not really being clear about what it is that they do want. They’ve got a problem, they want the problem solved.’ (Interview 13)

In summary, executives feel under pressure from a number of environmental sources: increased complexity and competition; time pressure; regulatory changes; pressure to innovate; pressure from more senior colleagues. This can lead to deviations from ‘proper’ process and a feeling of loss of control.

### Summary

This chapter has presented the data from the Interviews. The next chapter analyses it in detail.

## **CHAPTER NINE**

### **RESEARCH ANALYSIS – INTERVIEWS**

#### Introduction

The value constructs that emerge from the interviews are a mixture of objective and subjective elements, both of which are used by executives as reference points. The objective value constructs, however, are those most compatible with procurement methodologies. These objective value constructs are briefly discussed initially before moving on to the subjective.

A classification of consultancy services as Tactical, High-Level Strategy (HLS) and Top-Level Strategy (TLS) was shared by one of the interviewees (Interview 20). This is taken and related to both objective and subjective value constructs. This classification is important to the study and provides a basis for the variation in procurement methodologies applied to each category by executives.

Executive perceptions of the nature of consultancy services are then explored and the interviews revealed great sensitivity regarding the nature of consultants. Executives guarded against perceived sales pitches and understood the mix of functional and technical skills involved in delivering consultancy. The approaches that were adopted to mitigating the risks of management consultancy procurement, however, varied according to the level at which the services were being procured. Executives relied on objective process and arms-length relationships to procure tactical consultancy, but relied on close established relationships and direct experience of individual consultants to procure both levels of strategy services. Even where objective process was used, however, there was an indication that such processes may be manipulated to achieve the desired outcome.

Executive views of consultants were juxtaposed with their view of employees. There were feelings of distrust towards employees because it was felt that they

have a vested interest in decisions or in changes in the status quo. There were also concerns about the capabilities of employees and, together, this made use of internal resource unattractive. Consultants, however, were imbued with objectivity and superior market knowledge and abilities.

(i) Objective Value Constructs

During interviews, executives expressed belief that management consultancy services have a number of benefits for the organisation. Some of these benefits are objective in the sense that they are consistent with the value constructs underlying the procurement literature discussed in Chapter Four. They are discussed briefly below before the more subjective value constructs are explored.

Consultancy firms provide a pool of highly skilled resource that is not a fixed cost. It is flexible and can be engaged quickly without the risks associated with the recruitment of permanent staff. Team members can be changed at will and can then be dispensed with easily and at no cost. This allows the organisation to react more quickly to changing demands in the most cost-effective way. The use of consultancy firms therefore facilitates more efficient management of the organisation's human resource requirements. The interview data affirms the literature (Nippa and Petzold, 2002) which also refers to the use of consultants in this way.

Individual consultants are important because they can provide skills, knowledge and experience that the company requires but does not have, or want, on a permanent basis. This can mean several things.

It means access to scarce intellectual capability and 'talent' that would not normally be available on a temporary basis. This would most likely be utilised at a very high level within the organisation to provide both input to strategy and to provide 'breakthrough thinking'. In addition, the ability to access specialist skills, such as organisational psychology, for short periods depending on requirements was necessary and valuable.

It also means the experience of previous engagements that consultants personally bring to each assignment. Executives believed that experience gathered externally equips consultants with the most up-to-date knowledge that is available in the market and this had two benefits. Firstly, executives felt secure that they were not lagging behind their competitors. Secondly, in implementation projects consultants were assumed to have done the same work before and this brought significant advantages. Experience can help avoid known pitfalls and work can therefore be done more quickly and efficiently. The experience that executives find valuable is present not only in the individual consultants, however, but also in the wider context of the firms themselves. This point is discussed below in more detail.

Consultancy firms provide access to established methodologies and this is a major objective value construct. These methodologies comprise intellectual capital that consultancies develop over time and which enables them to quickly provide proposals and execute them in a structured manner. As discussed in Chapter Two, consultancy firms are knowledge-intensive businesses and their 'product' is their knowledge and intellectual capability. Knowledge management is therefore of vital importance to their survival and ability to flourish. Intellectual property developed in one part of the globe, must be available to consultants in any part of the firm wherever they are based. This provides clients with the ability to access an extremely large and varied pool of expertise.

The interviews therefore provide a slightly different perspective on the provision of skills, knowledge and expertise than that presented in some of the literature discussed in Chapter Two. The knowledge that consultants claim to possess has been the target of much critical examination. So, the output of knowledge intensive firms, such as consultancies, has been described by some as 'ambiguous' (Alvesson 1993); they are viewed by others as having to create the demand for their services (Bloomfield and Danieli 1995, Sturdy 1997, Bloomfield and Vurdubakis 2002, Kieser 2002); and most significantly as



lacking the codified knowledge-base common in 'classic' professions (Clark 1995, Gluckler and Armbruster 2003, Kam 2004).

The data from the interviews, however, indicates that executives are not necessarily using consultants for codified knowledge in the same way that clients use lawyers or doctors. They want to access the consultant's previous experience of implementations, for example, or utilise their intellectual capability on solving the problems they have themselves identified.

In other respects the interviews reinforce the literature. Executives referred to a 'lack of corporate confidence', the need for 'reassurance' and a 'second opinion' which has resonances in literature that stresses the vulnerability of managers (Gill and Whittle 1992, Sturdy 1997). The interviews showed that executives felt the need to access the skills, knowledge and experience of consultants in certain situations. These requirements were prompted, however, by environmental pressures and not by consultants themselves. Such pressures are discussed later.

A major benefit of the consultant's skills and experience is that those skills can be transferred to employees. If employees can learn from consultants, the company should not, executives believed, need to use consultants for that requirement again. It therefore improves the quality of its employees and reduces dependence on third parties. Knowledge transfer was discussed by Werr and Linnarsson (2002) and the interview data affirms the literature.

In a company that does not have a high turnover of staff, executives also believed that consultancy use provides fresh perspectives. This has been included here as an objective value construct but may be the result of executives seeking to justify the use of consultancy over internal resource. This links with the discussion of executive views of employees that are discussed below.

In summary, then, executives believe that the use of management consultancy provides a source of objective value constructs. There is a reduction in risk when engaging resource because individuals can be changed at will if they appear to

lack the necessary skills. It also enables executives to maintain permanent resource, and the associated fixed costs, at optimum levels. At the same time, the organisation is able to access the skills it requires to compete effectively in the market. This is particularly valuable when such resource is scarce and would otherwise mean the organisation competing to recruit and retain such resource on a permanent basis.

Access to consultancy skills can also produce indirect cost savings through innovation, efficiency and more cost-effective operations. Consultants can transfer new skills and techniques to employees and provide them with exposure to fresh ideas that prevent the organisation becoming insular. The resulting organisation can be more effective at competing in the market.

On a fundamental level, the use of management consultancy by executives enabled the rapid completion of projects. This was a way to manage time constraints without compromising attention to process and structure. It was not only the additional resource that achieved this, but also the previous experience gained in similar projects as well as the use of established methodologies. Consultants also added impetus to projects in which they were involved. This enables an organisation to respond quickly to change in the market and to implement innovative strategies promptly.

Time constraints and the need to complete tasks rapidly are part of the environmental pressures identified during the interviews. These findings affirm the literature (Gill and Whittle 1992, Sturdy 1997) and also add more detail. The literature identified senior peer pressure, fear of competitors, pressure to be innovative and seen to be using new techniques, and seeking reassurance that other organisations have the same problems ('normalising' problems). The interview data for this research affirmed these and, in addition, also showed that executives perceive their tasks to be far more complex than even ten years previously. Rapid change and expanding regulation increases the number of factors to consider and the need to see the dependencies between them as part of the decision-making process. The research also showed that the cumulative

effect of these pressures changes the process by which executives appoint consultants. It can force them away from the 'best practice' route that they may prefer to follow toward a much narrower appointment process.

These, then, were the objective value constructs that executives identified. They could be clearly linked to rational project objectives and are compatible with the procurement value constructs identified in Chapter Four. They enable an organisation to reduce cost and risk and, as a result, to be more innovative and efficient. These factors result in greater profitability and greater ability to compete successfully in the market and, crucially, they exist at an organisational level.

#### (ii) Subjective Value Constructs

The data from the interviews was explicit about the way that executives reference subjective value constructs when referring to consultancy services. These are discussed in more detail below using the themes of personal relationships and externality.

##### (a) Personal Relationships

Executives maintained relationships with individual consultants on a one-to-one basis. In some cases this was described in terms of friendship, in others a more *ad hoc*, but nevertheless regular, contact with the same individual was clearly evident. The relationships that developed were with the executive's opposite number in the consultancy firms and, crucially, were with the same person each time. Executives spoke of regular 'catch up' sessions with a named individual. This person was described by one executive as 'our man' within that firm indicating the exclusive nature of the relationship. Even though other consultants would be assigned to particular projects, this executive said his relationship would always be with this individual. The informal and personal nature of such relationships also enabled executives to access information and advice on an *ad hoc* basis without incurring cost.

These ‘catch-up’ sessions were a valuable opportunity for executives to hear a different view of the markets and pick up any ‘snippets’ of information that the consultants had acquired through working with a variety of organisations. Some executives specifically referred to this network function for consultants, but it was also clear from references in other interviews to the value of *ad hoc* contact with them. The value of being able to access information that was market-based, and from individuals who worked closely with competitors, was consistently cited as extremely valuable to executives. This information may be on competitor activities within the market generally or their client’s own position within that market. The closer the relationship, the more forthcoming executives felt that consultants would be with such information.

Personal relationships were, however, based on executive perceptions of credibility. Executives had to believe in the ability of these individuals before they were prepared to invest the time in developing a relationship. Where they did exist, however, they had the potential to become extremely strong and long-lived. Several executives were able to cite examples of other executives moving to a different organisation and an existing relationship with a consultant moving with them.

The importance of ‘personal chemistry’ is extremely important in this context. Both consultant and executive have a personal affinity that is strengthened, in some cases, by going through the trauma of difficult projects together. The nature of this relationship at a senior level is an informal and personal one between two individuals rather than a relationship between two organisations who are merely represented by two individuals. This is illustrated by the sensitivity around cost discussions. Executives gave first-hand examples of either giving this job to someone else, so they could remain the ‘smiling face’ to the consultant (Interview 23), or of actually being given that job to do themselves (Interview 4). The personal nature of the relationship makes discussing cost seem inappropriate and even awkward. The same reluctance was also apparent over contract terms. In addition, there is the possibility that a disagreement

would make the relationship less amenable and it is the very informality of it that gives the most value to executives. Preserving the relationship is therefore seen as extremely important, even if it means excluding any kind of commercial discussion over cost and terms.

Such close relationships facilitated development of trust between the executive and the consultant. This was very important because it enabled executives to have confidence in the quality of the services that would be delivered. Judging the quality of professional services in advance of delivery is one of the major risks involved in their procurement. Executives were fully cognisant of this danger and used existing relationships to minimise the risk. This was through both high-level relationships and also through personally keeping track of where individual consultants were working.

Trust in a relationship also facilitated a candid exchange of views. Honesty was extremely important to executives for two reasons. Firstly it meant they could have faith in the integrity of the views being expressed. There was always a concern that consultants viewed each meeting as a sales opportunity and therefore that all suggestions needed to be treated with caution. Secondly it allowed executives to receive feedback and views that normally they would not get because of the constraints imposed by a hierarchical environment. Employees had concerns about 'self preservation' and the importance of maintaining good working relationships with senior executives. This made them more guarded in their responses. Executives, however, isolated at the top of the organisation, found such feedback valuable. This is discussed in more detail below in the context of externality but is also a function of personal relationships.

Linked to this was the powerful psychological role that management consultancy fulfils. Executives are under a number of different but combined environmental pressures such as the need to innovate, increased competition and the increased complexity of their role. In the face of these threats, one executive talked specifically about the role that consultants play in providing 'help on the bridge'. The image he used of the bridge on a ship gave a sense of isolation and distance

from the rest of the company and suggested the need for reassurance. Another executive thought that a senior management position could be ‘scary’ and another thought that as CEO, it must be ‘lonely’. All these executives linked this observation with the need for someone to provide reassurance and be a ‘wise monkey’ who would advise, reassure and be alert on the executive’s behalf. In this context, the development of strong relationships based on trust is very important.

In the context of these feelings of vulnerability and the need for reassurance, the role of consultants as ‘coaches’ and ‘mentors’ is particularly relevant. These terms clearly describe very close relationships between an executive and a consultant-mentor in which advice and support is given. Such relationships can facilitate skills transfer but also provide reassurance and a ‘safe’ environment in which to discuss ideas and concerns.

The literature had already identified the importance of trust in personal relationships between consultants and executives (Maister 1993, Maister *et al* 2000) and this research added much detail that was, significantly, from the client side. For example, the way in which a one-to-one relationship can survive an executive moving to another organisation, as well as its significance in a hierarchical context. This demonstrates the personal nature of the relationship, also apparent in the way that direct commercial discussions over cost were excluded. This detail adds much texture to the understanding of relationships between consultants and executives.

#### (b)      Externality

The external status of consultants was extremely valuable to executives and this manifested itself in various ways. Externality meant that consultants were automatically imbued by executives with specific traits. This meant not only wider experience and superior market knowledge, but also objectivity and an ability to give a fresh view that would counter any tendencies to insularity. Such perceived abilities resulted in consultants automatically having very high levels

The issue of credibility came up repeatedly, both in the sense of consultants adding credibility to decisions and being credible persons with whom to discuss issues. Executives also confirmed that the brand of a consultancy firm was exploited to give credence to work, even where it could easily be done in-house. Consultants were perceived as experts and specifically referred to as such. Executives therefore had a great deal of faith in their abilities.

Employees, however, were viewed differently. Executives directly expressed the view that employees would have a 'vested interest' in the outcomes of change programmes. They felt that personal feelings about other employees and the desire to secure specific jobs would influence their decision-making in a way that would not be the case with consultants. Even those executives who had defended the abilities of internal staff affirmed the objectivity of consultants at different times in the interviews. So, consultants were still seen as detached and rational in a way that employees were not.

The capabilities of employees also suffered by comparison with consultants. Executives could not find enough 'bright' employees to work alongside consultants. Also, employees did not have comparable market knowledge and were unable to bring a 'fresh view' to difficult situations because of their insularity. This point refers back to the fresh perspectives that executives believe consultants can bring to a company with a low turnover of staff. As noted above in the discussion of objective value constructs, executives could be manipulating these points as a justification for engaging consultants rather than internal resource.

Such a view of employees may be merely perception on the part of executives because, as the literature highlighted, consultants can and sometimes do contribute to the creation of a requirement for their services. They may create a situation and then position themselves as the only ones capable of resolving it and this can lead to a perception of a skills shortage in the existing workforce (Bloomfield and Danieli 1995, Sturdy 1997, Bloomfield and Vurdubakis 2002). This did not, however, appear to be the case in this research and the lack of trust

apparent in the interviews could not be related to the scenario suggested above. Lack of trust in the ability of employees to be objective about change and to bring innovative solutions to existing situations is a fresh perspective on the use of consultants by executives.

The option of using internal resource was therefore not attractive to executives. The externality of consultants, however, resulted in a variety of benefits that were manipulated by executives at all levels.

Validation, in particular, emerged as a distinct function of consultancy services. For example, validation of internal recommendations to senior executives was often cited as a reason for using consultants. In this case, executives felt that value was being added through the objectivity, superior market knowledge and external view that consultants provide. The external status of consultants, and particularly the perceived objectivity that is assumed to be a natural consequence of this, were extremely important factors in influencing the opinions of key decision makers. Consultants were used by junior executives to help engage more senior executives and win support for their favoured solution.

In turn, senior executives confirmed that such validation by consultants has value for them when they are receiving such recommendations. It provides an element of 'comfort' that the recommendation has been endorsed by an individual or firm with external status and the associated credibility that this implies. As a result, senior executives felt more confident about endorsing a recommendation and junior executives were able to achieve their goals.

Another important factor in engaging consultants was the support and advice that junior executives received in helping them to manage senior executives. This comprised a diplomatic role in managing internal conflict, negotiating settlements, and also influencing behavioural change. It included getting senior executives to confront difficult issues in a way that employees – junior executives – could not. This role is unrelated to the standard, and usually unavoidable, reasons for engaging consultants such as lack of resource or need



for skills. In this sense, consultants act like oil in an engine, minimising friction and allowing the moving parts to function freely.

External status enables executives to use consultancy for political purposes because consultants have the high levels of credibility discussed above. They are also, however, unfettered by the internal politics that constrain employees and are therefore able to produce results that may not otherwise have been possible. This freedom may also be attributed to their external status. One executive described how consultants had spoken harshly to one of his managers who had worked hard, but in their view, just not hard enough.

‘You know, to (this manager) no one else would have dared do it. This guy eyeballed her and that was it...’ (Interview 21)

He later described them as ‘ruthless’ because they do not have to work with people on a long-term basis so it is not important for them to build relationships. This is a crucial difference in the way that consultants and employees operate within the working environment. Employees are dependant on the development and maintenance of good working relationships to a highly significant degree. This will have an inevitable effect on the way they behave towards their colleagues and more senior executives. It will make them less direct in their challenges because of the need for ‘self preservation’ and the need to preserve productive working relationships over the long-term.

In addition, the externality of consultants enables them to give candid views on the organisation and the senior personnel within it in a way that would be inappropriate for employees. An executive described having dinner with the CEO and a consultant. This consultant was able to give extremely candid views on the executive team reporting to the CEO which were valuable to the latter because it gave a radical and candid perspective. The CEO would not have heard these views from an employee because it would be inappropriate within a hierarchical structure. Consultants are regarded as equals in a way that

employees are not and this has important implications for the respective roles that they are able to fulfil.

Executives repeatedly referred to the need for 'challenge' and did not believe that employees could provide that type of feedback. Two executives (Interviews 6 and 21) independently illustrated this using exactly the same metaphor of consultants holding up a mirror that nobody else was able - or willing - to show them. This ability was heavily dependent on a trusting relationship because of the extremely sensitive nature of the views being expressed. The word 'coaching' was used in this context, possibly to mask the fact that critical feedback on executive performance was, or could be, given. This type of observation could be given, and received, by an equal who was external to the organisation but not by an employee who was junior to the executive in question. The externality of the consultant means that the executive does not have to work with them on a day-to-day basis and, most importantly, there is no compromise of the hierarchy and therefore the individual's sense of status is preserved. Therefore individual executive egos are saved from the situation where a junior member of staff is giving critical feedback. In addition, the credibility attributed to the consultant means that advice and observations will be believed and taken seriously without any assumption of an alternative motivation.

There was also the extremely sensitive topic of managing internal politics and this is also closely related to the issue of hierarchy. There was a clear belief by executives that external resource with a high degree of credibility was needed to resolve problems around these types of issue. In some cases, employees could be perceived to be part of the problem, thus the need for external support to resolve the problem. However, where such internal politics involves senior executives, the issue of hierarchy is again relevant because junior executives could not effectively intervene in such a dispute. As well as a high degree of credibility, the individual tasked with resolving the situation must be regarded as an equal or their views will not be accepted.

These findings on the role of consultants as external parties affirms literature discussed in Chapter Two (Schwarz 2003, Gammelsaeter 2002, Kipping and Armbruster 2002, Kaarst-Brown 1999, Hellgren *et al* 2004, Nippa and Petzold 2002, Alvesson and Johansson 2002).

(iii) Classification of consultancy services and the effect on procurement process

One executive (Interview 20) set out a structure for the variation of value constructs according to the nature of the consultancy being engaged. This is expanded and developed in Figure 9.1 below. It provides an extremely useful framework with which to view consultancy procurement.

The figure demonstrates how each of the identified value constructs varies depending on the level at which the consultancy service is being used. The further to the left of the table, the more commoditised the services become. The further to the right, however, the more bespoke the service and dependent upon individuals and the relationship between them. This provides an explanation for the differentials in procurement processes that were observed between IT consultancy and strategy consultancy. IT consultancy will typically be in the tactical commoditised category whereas strategy consultancy is likely to be in the highly bespoke category because they have different characteristics and this is discussed below in greater detail.

VALUE CONSTRUCT	TACTICAL	HIGH LEVEL STRATEGY	TOP LEVEL STRATEGY
<b>SKILLED RESOURCE</b>	Teams of consultants of mixed levels Firm has track record of delivery Provides HR flexibility: no need to recruit; ability to change team.	Number of high level individuals	One individual Enduring relationship at a very high level Regarded as an equal Coach and mentor
<b>KNOWLEDGE</b>	Technical knowledge Knowledge of emerging and existing technologies Industry Best Practice Project Management Process Established methodology Access to firm's database	Process Methodology Creativity Industry best practice Analytical skills Giving shape to amorphous problems	Intellectual capability Insight Market knowledge Expertise Giving shape to amorphous problems Developing strategy
<b>EXPERIENCE</b>	Experience of previous implementations Industry best practice Saves time and potentially cost through speedy implementation	Good at building relationships Industry best practice Counter to insularity Asking naïve questions	Market experience Experience of working at the top levels of organisations
<b>POLITICS</b>	Selling a 'difficult' message to internal staff.	Helping to engage senior executives Brokering deals/solutions. Advising internal client on negotiating politics Ability to adapt own style appropriately Validation Use of consultancy brand to sell to senior executives.	Use of consultancy brand for external and internal validation. The 'eyes and ears' of senior executives within the organisation.
<b>PSYCHOLOGY</b>		Feeling isolated: 'help on the bridge' Relationship (trust) Lack of confidence and need for an equal to confide in. Industry best practice (not being left behind) Challenge assumptions where employees could not. Credibility Provide feedback and 'coaching' where an employee could not.	

COMMODITISED

NOT COMMODITISED

**FIGURE 9.1**  
**FRAMEWORK SHOWING CONSULTANCY OPERATING AT DIFFERENT LEVELS**

This classification demonstrates that consultancy interventions should be viewed on various levels that differ in several important respects that have a direct effect on the procurement processes employed. Project-based engagements, for

example IT implementations in the Tactical category, are compatible with objective value constructs and executives will tend to use objective selection processes. They are less dependent upon the strong and trusting relationships between individuals that characterises consultancy at both strategy levels. It is easier to draft service specifications because the goals of the consultancy engagement can be identified and the supply market is not unduly restricted. Objective definitions of value therefore become much more relevant and important at the tactical level because delivery of tangible business objectives within set timescales underpins the engagement. Strong project management and the ability to achieve objectives, often within tight deadlines, are extremely important at this level. Such value constructs respond well to objective selection processes.

The subjective value constructs which underlie executive motivation for procuring strategy consultancy, however, distort objective procurement methodologies. The objectives of strategy consultancy are often vague and undefined at the outset, and the personal nature of the relationships exclude negotiation of cost and contract terms. Not only are the relationships personal, but the motivation for engaging particular consultants can also be highly personal. They are influenced by subjective considerations that have value for individual executives, and not objective value constructs that benefit an organisation in a rational way. For example, the executive in Interview 5 described how two executives in different parts of the organisation engaged different consultants to do the same piece of work. This happened because each had an existing relationship with a different consultant. Objectively, however, it would have been of greater benefit to the organisation if one consultant had been engaged to the work in both parts of the organisation.

Fundamental differences exist between the tactical and strategy levels. The services involved in strategy are intensely personal to each executive because they are so closely intertwined with their own work. Subjectivity therefore becomes extremely important and selection is based on who they feel they have an affinity with, and who has credibility both with themselves and with other

executives. It is easier to define the objectives of a tactical implementation project than to define the objectives of corporate strategy, an organisational restructure, or simply resolving a problem that has not been fully analysed. In addition, there may be feelings of vulnerability, especially if an executive lacks direct experience of resolving these kinds of issues. This could be the case, as one executive pointed out, if an executive only has experience of operational management.

Even where objective process is used, however, there was a direct statement from one executive that objective process would be manipulated to achieve the desired result. This suggests that subjective value constructs can corrupt objective process at any level.

The classification of consultancy services in this way and the attribution of differing characteristics to each category gives a fresh perspective not found in the literature.

(iv) Executive's awareness of the complexity of the service and the nature of consultants themselves.

The examination of the services marketing literature in Chapter Two included the use of the terms 'functional' quality and 'technical' quality (Gronroos 1983). These categories made a clear distinction between the outcomes and process and executives were asked to apply them to management consultancy.

There was a recognition by executives that consultancy is a complex and sophisticated service requiring a unique approach to obtain the best value from its use. This was demonstrated in several ways.

In the interviews, executives said they believed that consultants require both 'hard' technical and 'soft' functional skills to be effective. There were no executives who believed that it was possible to separate these skills in the way

that Gronroos (1983) had suggested. Consultancy services were characterised by executives as seamless, so it was not possible to say that one skills-set was more important than the other. Consultants could not, executives believed, deliver their technical ‘product’ without effective functional skills because they needed the ability to ‘sell’ their proposed solutions. This ability required high levels of credibility and ‘soft’ interpersonal skills on the part of individual consultants.

Effective functional skills were regarded as particularly important because recommendations would not be automatically accepted and implemented by executives. The service goes far beyond trite patient-doctor metaphors because clients will not automatically accept recommendations that are presented to them. Consultants have to ensure acceptance of their ideas and convince executives that what they are recommending is correct and the right course of action to take.

The division between functional and technical quality developed in the literature (Gronroos 1983) does not, therefore, appear to be a valid one in the context of management consultancy within the single organisation that was the source of this data. This is a new perspective and highlights the differentiation between mass consumer services and professional services procured by organisations.

Executives recognised that consultancy requires significant intellectual time and effort on their part to produce value. The interview data demonstrated a belief that value production required commitment from the executive to manage the engagement process itself. This involved either unilaterally setting objectives prior to commencement of the service, or playing an active role in developing objectives in conjunction with the consultants. It also involved ensuring that the individual consultants working on the project had the requisite skills and experience. Finally, there was an obligation to project manage the engagement to ensure delivery of objectives. This involved ensuring that ‘milestone’ targets were met and that the consultants remained focussed on the targets.

This last point stemmed from a belief that consultants always attempt to maximise the hours that can be invoiced to the client, and use every opportunity

to search for the next engagement. There were numerous references in the interviews to the tendency of executives to attempt to extend the scope of an engagement ('scope creep') and put as large a team into the organisation as possible. Both of these would increase the hours that could be invoiced and necessitated effective management by the client to prevent additional cost.

These points have considerable resonance with Chapter Two where both co-production of value and close contact with suppliers was discussed. These were seen as two of the distinguishing characteristics of professional services and were also highlighted in Chapter Five. Here, it was suggested that both of these characteristics strongly implied that clients had a greater understanding of technical quality than the services marketing literature seemed to allow. The interview data confirms both close contact and co-production of value. In addition, the nature of this contact does, indeed, strongly suggest that executives have a sophisticated understanding of technical quality. Firstly, in setting objectives and milestones they are playing a significant role in designing the solution. Secondly, by managing the consultants to ensure delivery of objectives executives are assessing the technical quality of consultancy. These points will be re-assessed in the light of the data from the extended observation in the following chapters. This data on co-production of value, however, reaffirms the literature (Lapierre 1997, Axelsson and Wynstra 2002, Hausman 2003). It also suggests, however, that client involvement in the procurement of consultancy services is wider and extends to managing the supplier: checking the suitability of staff, managing delivery and guarding against 'scope creep'.

There was also awareness that consultants would exploit the opportunity of having unfettered access to the organisation in order to search for the next engagement. This would not only detract from concentration on the current project, but also possibly result in unnecessary consultancy interventions. Executives believed that the most common approaches were to recommend a follow-on project as part of the solution, or the attempt to develop new relationships with executives and, therefore, fresh opportunities to sell their services. Part of the reason that good personal relationships were valued by



executives was that trust developed and this trust allowed executives to be sure that consultants were not simply looking for another sales opportunity.

Executives did not, therefore, appear to be either naïve or impressionable in their approach to procuring consultancy. They fully appreciated that it was a complex service with a high degree of risk attaching to its procurement. It therefore required, they believed, a significant level of their own input to secure a valuable outcome. There was an acknowledgement that occasionally this did not happen in practice and this was seen as a failure. A strong sense of *caveat emptor* attached to consultancy services and approaches from consultants were viewed with cynicism by executives unless it was within the context of a relationship where trust had been developed. These views were expressed without prompting, within a variety of contexts and by the vast majority of those executives interviewed.

### Conclusion

Executives demonstrated a clear understanding of both the complexity of consultancy services and also the nature of consultants themselves in a way that did not show naivety. They were cynical about the motivation of consultants and wary of their approaches. Even when they were engaged, executives believed that consultants had to be firmly managed in order to deliver against objectives and the ability to do this suggests that executives have a sophisticated understanding of technical quality. The risks attached to procuring consultancy are mitigated in different ways depending upon the category of consultancy. At the tactical level, executives use objective process to select the most appropriate consultants although subjectivity is still likely to be a factor in selection decisions. At the strategic level, however, executives develop long-standing relationships with individual consultants in which trust is pivotal. These relationships, however, have a much greater role than just risk mitigation.

Executives are driven by environmental pressures. For example, lack of time propels them towards using consultants as additional resource. Some pressures,

however, such as rapidly changing market conditions and increased regulation, cause feelings of anxiety, vulnerability and loss of control which also drive consultancy use. At the strategy level, personal relationships with trusted consultants allow executives to seek reassurance from someone who has a significant level of credibility. These relationships can develop to such a degree that the consultant becomes what is euphemistically termed a 'coach'. The use of this term disguises the true nature of the role which is provision of reassurance and support in a hostile environment. Such support cannot usually be provided internally because, within a hierarchical structure, the external status of consultants enables them to interact with employees in a unique way. They can challenge executives, provide sensitive feedback, resolve political disputes and demand more from employees than internal line managers.

When such close personal relationships develop at senior levels of the organisation, the nature of the engagement changes radically from that which exists at the tactical level. From being a commercial relationship between two organisations in which objective selection processes have been followed and cost and contract terms negotiated, it becomes a personal relationship between two individuals in which such actions would be inappropriate and awkward. This fundamentally changes the way that consultancy services are procured. Objective selection processes become irrelevant here because choice is based on existing relationships which may be extremely strong and based on trust, 'chemistry' and perceived credibility. Likewise the drivers to use consultancy at this level are not objective and 'rational' but personal to the individual himself or herself and influenced by subjective perceptions of employee motivation and capabilities. Indeed, the degree to which they are subjective and personal may be such that executives wish to conceal them because they appear 'irrational'.

The level at which consultancy services are being procured is therefore crucially important to the involvement of Procurement departments. At the tactical level, it is possible to set clear objectives at the outset and follow an objective selection process. At the strategic level, however, objectives can be extremely difficult, if not impossible, to define. In addition, objective selection processes are rendered

irrelevant by the existence of strong relationships between executives and consultants. Procurement professionals are able to add value to engagements at the tactical level but not at the strategic level because the decision is based on the subjective value choices of individual executives.

## **CHAPTER TEN**

### **RESEARCH DATA – EXTENDED OBSERVATION**

#### Introduction

During the second half of 2004, the researcher was closely involved in engaging one of the ‘big four’ former accounting firms on a sensitive and important piece of organisational design work. The ‘story’ of this project is told in this chapter using the first person to reflect the close involvement of the researcher.

#### Background

The engagement process took place against the background of a global initiative to implement a panel of consultancy firms for the company world-wide. The virtual project team responsible for this comprised myself in the UK, two colleagues in the US and a team leader in Head Office. We had got to the point of selecting four generalist firms who, we believed, would be able to meet at least 90% of our requirements.

However, we were struggling to get our Legal Department to finalise the contracts for signature and there remained a small number of critical, unresolved issues. This was causing some unrest among our panel firms because, having been told they had been selected, they were keen to sign the contracts and begin marketing themselves within the group companies. The delay also prompted questions about our commitment to the process. I had managed these by sharing some of my own frustrations with the process and then taking steps to press ahead anyway despite the contractual situation. This good faith appeared to be shared by the firms who were applying the agreed rate card despite not having a signed contract.

More worrying, however, were the whispers that the senior executive in Head Office with responsibility for signing off the global contracts (“Steve”) was not

happy with one of the firms on the panel. Steve is the CEO's right hand man. They worked together at their previous company and it is widely believed that Steve has his full confidence. As such, Steve is untouchable. A few weeks previously he had pulled another panel member off a project without giving a reason, leaving them unsure about their relationship with us. Whilst we had subsequently obtained a credible explanation and reassured them, I was unsettled by a conversation with someone close to this specific project. This individual claimed to have been actually present when Steve had said he didn't want to use the firm because he didn't like them. This ran contrary to the explanation we had passed on and left me feeling uncomfortable about our strategy.

Steve had also recently introduced an approval process whereby all expenditure on consultancy over a relatively low threshold had to be signed off both by UK Procurement, the Chief Operating Officer and by him, personally. All requests for approval had to be on a given form that required justification for the expenditure as well as the name of the selected firm. A note had been issued from Steve and posted on the company intranet to this effect. My team leader in Head Office had warned that they would take a dim view of proposals to place business off-panel, and if such requests were to be approved, the decision must be well justified.

Prior to this engagement, I had only ever used the process once and it took three weeks to get a response. This put me under a great deal of pressure as the requester needed to start work immediately to meet business deadlines. In the UK, we had heard rumours that Head Office believed they could reduce demand by delaying the approval process until users become so disenchanted they give up.

Knowing the speed at which the business moves, this new procedure worried me. However, it was a double-edged sword because it also gave procurement the authority to intervene where previously we had been excluded. It appeared, therefore, to open up a plethora of opportunities.

Whilst I represent UK Procurement on the global team, I work closely with a colleague in the UK (“Katharine”) on local projects where consultants are being used. Katharine is a very experienced procurement professional who, like me, has not been closely involved with consultancy projects before. We have always found that executives who buy consultancy tend not to involve procurement, preferring to manage projects and relationships themselves. Consequently, it is not a category of spend that we, as a department, have managed as fully as we would have liked. Because consultancy has been an area of huge expenditure in the past, this has been very frustrating. However, both Katharine and I see the new approval process as an opportunity to increase procurement influence over the way the company buys consultancy services.

Katharine and I have already held initial meetings with three of the four panel firms. The object was to begin to establish a relationship with them and the intention is that we will hold these meetings quarterly. Initially we asked them to help us understand their business and areas of expertise. We have also asked them for an exchange of information. We will alert them to suitable opportunities and arrange introductory meetings with key personnel and, in turn, they will tell us about current engagements and leads they are pursuing. We have told them about the approval process and positioned ourselves as the gatekeepers of the company to whom they should always refer. This seemed to be well received. Two firms in particular say they are pleased to have one point of contact in such a large organisation as ours. The Account Director for one of these firms (“Paul”) seems very keen to develop a dialogue with us. Paul and I have already met and kept in touch over the global contract. Following the meeting he does, indeed, begin calling me to let me know the opportunities they are pursuing.

Tuesday 27th July 2004

I have gone to Katharine’s office for a routine meeting to discuss management information on consultancy spend. We need to establish who is currently

engaging consultants and develop a strategy for bringing this in line with the new approval procedure and, if possible, put it through the panel.

Shortly after I arrive, Katharine shows me a completed Approval Form that authorises a senior executive (a grade 7) to place a significant piece of business with either one of two off-panel firms. Proposals have already been received and the form has been faxed to Head Office for final authorisation.

After some discussion with our line management, we tell Head Office that we are withdrawing the form until both Katharine and I have had a chance to establish the facts. Katharine has already worked with the senior executive concerned (“John”) and we hastily arrange a meeting with him that morning.

We explain to John that his project is highly unlikely to be authorised by Steve because neither of the firms being proposed are on the panel. We propose going through a formal Request For Proposal (“RFP”) process that will include the two firms that John is interested in, but will also include three of our panel firms. If the proposals from the off-panel firms are better, then Katharine and I say we will endorse John’s decision. At least then we can show a substantial audit trail and some science behind the decision. We can also show that we have tried to put the business through panel firms but they did not make the grade.

John seems to accept this. However, we have concentrated on stressing the importance of complying with process. John is, at heart, a good corporate citizen. He wants to do the right thing and listens fairly to what we have to say. He does have some concerns about the ability of our panel firms to do the work, and says of one that they will ‘oversell’. Katharine assures him that she and I will control the process and will, in fact, feed that perception back to the firm in question. John seems genuinely surprised, but also amused, that we are prepared to be so candid with them. He smiles and describes the time when you had to be of a particular seniority within a client firm before they would even talk to you. He should know – he used to work for them.

John's main concern is, however, the time-scales. These are aggressive anyway, but we now have to work around the RFP process. Speed is of the essence and for the rest of the meeting Katharine and I work on understanding the project in more detail. We are also able to take away some draft documents that John has produced.

We go back to our office to draw up a formal document. We work through lunch and it is finished by the afternoon. It is a short document of just over three A4 sheets. It sets out the background to the project, the specification of service, the expected level of resource, from both from them and from us, key decision criteria and a timetable of events.

During the meeting with John, we established that there are two main reasons for using consultants on this project. Firstly, there is huge time pressure and internal resource of this calibre is just not available at such short notice. Secondly, there is a need for the skills, experience and additional capabilities that the consultants are expected to bring. We use this knowledge to develop key decision criteria that we also include in the RFP, allowing the firms to concentrate on what is important to us. Later, we also ask John to weight them. This, we think, will focus everyone's attention when the proposals come back in. The resulting table was distributed to project team members and is shown below.

<b>Decision Criteria</b>	<b>Weighting</b>
Suitability of team members	30
Degree to which proposal is deemed fit for purpose	30
Knowledge transfer plan	30
Track record of delivery in this area	20
Project costs	10
Proposed measurement of deliverables	10
Degree to which solution matches aspirations	10

**TABLE 10.1**  
**DECISION CRITERIA FOR CONSULTANCY SELECTION**



John has stressed that there is a clear exit date for the consultants because he does not want them involved in implementation. Therefore knowledge transfer is a key consideration. Because of this and the need for additional capabilities, the selection decision will be based largely on the quality of the team that each firm is proposing to use.

We walk back over to John's office to see if we can catch him but have to leave a copy of the RFP with his secretary.

We also call our account contacts at the firms to alert them to the upcoming opportunity and find out whether they will be interested. They do all want to take part and we check their availability for Question-and-Answer sessions on Thursday and Friday. By this time they will have had a chance to read the RFP. Although it involves much diary-juggling, we are able to arrange for both Katharine, myself, John, and the contractor supporting John on this project ("Tom"), to be present at all the sessions.

We are particularly careful to stress to the firms that their proposals should be concise because we are working to such tight deadlines. I tell one firm: 'we don't want War and Peace' or any 'glossies'.

We also invite the two off-panel firms to similar sessions even though they have already been briefed and submitted proposals. John and Tom gave these briefings separately (John briefed one firm and Tom the other) and the resulting proposals varied dramatically in cost. In the interests of creating a level playing field, Katharine and I think it best to just start again from the beginning. We will follow a uniform process and ignore what has gone before.

#### Wednesday 28<sup>th</sup> July 2004

John approves the document and we issue it by e-mail in the morning with the following timetable of events. All communication is to be routed through Katharine with no direct contact to John.

RFP sent to firms	28.7.04
Response submitted	Noon 9.8.04
Presentations	11.8.04
Decision communication	12.8.04
Work commenced	16.8.04
Work completed	11.10.04

**TABLE 10.2**  
**TIMETABLE OF EVENTS FOR CONSULTANCY SELECTION**

We emphasise to John the importance of allowing the firms to read the RFP and then clarify their understanding of the brief before submitting their proposals. This will allow them to put forward the best proposal they are capable of producing. John takes this on board and, in fact, is proving to be a joy to work with. He listens to us carefully and takes our advice but leaves us in complete control of the process. In fact, he takes the Q&A sessions so seriously that he wants them to be held in London so that he can escape the distractions of the office environment and be fully engaged. Naturally Katharine and I are delighted at the way this relationship appears to be developing. We hope that it will open other doors for us.

Thursday 29<sup>th</sup> July 2004

Katharine and I arrive at our company's offices in central London mid-morning. They are in a restored regency town house complete with marble pillars, gilded ceilings and fine antique furniture. The room we have booked is long and dominated by a large mahogany Sheraton-style dining table. There is also a large carved marble fireplace and large paintings around the walls. It looks out onto a park and is a magnificent and imposing setting.

We have arranged for the first firm to arrive at 12.30. John and Tom are already there. They have settled themselves in the meeting room and are taking part in a conference call connected with the project. Nevertheless, Katharine and I are

invited to sit with them. This is clearly a measure of trust as, amongst others, I can hear that a very senior executive from the UK business is also participating. John is apparently not happy with the way things are going and, at various points, rolls his eyes upwards or exchanges an ironic smile with Tom.

The two delegates from the first firm arrive on time and I collect them from the reception area. Due to the extremely short notice, they have struggled to field the right people. The person who would have co-ordinated it is currently on leave so someone who specialises in technology is managing this temporarily. He has managed to bring with him someone who is a management consultant and to whom he has passed the RFP.

Katharine introduces everyone, sets the scene and then passes over to John. Between them, John and Tom outline the broader context of the work and go into the detail of the specific project objectives. The consultant is then given the opportunity to ask questions, which he does.

In response to the questions, John explains that he sees this project as requiring a combination of 'bodyshopping' and existing methodology. He says that, through downsizing, we have lost the layer that would previously have done this work, hence the requirement. He also stresses that we need a 'level of challenge'. He is happy for the consultants to lead the project in order to ensure delivery of the objectives and is prepared to move the timeframes to get the right team.

We have a brief discussion after they have left and the initial impression is not good. The technology specialist had not been smartly dressed and John comments that he 'looked as if he'd just got out of bed'. Also, neither John nor Tom are impressed by the questions asked which did not, they believe, show any real grasp of the situation, the requirements and the vulnerabilities. There was nothing dynamic or inspirational about them and all in all, as a group, we are left with no confidence in this firm.

The second firm arrives promptly at 2pm. Again they have struggled with key people being away on holiday but, nevertheless, have managed to present two partners in the relevant practice, one of whom has direct experience in this type of work. The briefing follows the same format but, when given the opportunity to ask questions, there are clear differences. The lead partner is fairly quiet and thoughtful, not at all flash, and his approach comes across as calm and well considered. Between them, they ask more questions than the previous firm and it is clear to me that John and Tom are far more actively engaged with them than they had been previously. John emphasises the expertise and experience that he wants them to bring to the project. He tells them:

‘I want your prejudices in the model. We’ve been successful but we’re still only (position in industry), so we need to change some of our practices’.

‘We want to talk to experts...we want your version of the truth.’

There are strong indications of a need for the ability to give feedback to senior executives and the use of consultants for the purpose of managing internal politics. The influencing skills of the consultants are going to be extremely important and the credibility of the individuals being proposed is therefore vital. John says:

‘We need to get senior players in a room facing up to the things they’ve hidden in a cupboard...we need you to help us do that.’

The consultants also acknowledged this role when discussing a previous engagement that had not gone well:

‘We take responsibility for that because we didn’t push hard enough’.

In addition, John talks about ‘choreographing’ meetings between him, the consultants and senior executives.

Afterwards John and Tom confirm that they have indeed been impressed. This surprises them as they had not expected it. Katharine and I are delighted because this is the firm that had been expected to ‘oversell’. We had, as we promised, fed back to the lead partner that they have a reputation for being pushy and going over the project manager’s head. We are very pleased to see that they are a model of restraint.

Friday 30<sup>th</sup> July 2004

Despite our best efforts, the third Q&A session has to take place at our local offices and not in London. We have arranged it for 3pm and Katharine and I are duly there on time. John, however, has been held up and we start a good thirty minutes late.

We begin the meeting with three representatives from the consultancy firm and it takes the same format as the other two. Paul is there with the VP from the relevant practice and a consultant. Each of them introduces themselves and outlines his area of responsibility. The VP appears distant and when asked to outline his firm’s experience in this area, he seems surprised. He talks quietly, almost mumbling, and does not make eye contact with any of us, preferring to look down at the desk. Thirty minutes into the meeting he excuses himself for a meeting with one of our directors and leaves abruptly. Paul continues the meeting. He seems confident that this is exactly his firm’s area of expertise. Apart from concerns about securing the resource at such short notice, they make it clear that they want the business.

John stresses that knowledge and experience is paramount. He again talks about the need to assist and drive meetings with senior executives. He wants ‘facilitative consulting’, ‘real presence’, ‘negotiating’ and help with the question ‘how do we engage the executive team?’

The discussion between Katharine, myself, John and Tom afterwards centres around the behaviour of the VP. We are all very unimpressed and believe that his behaviour was arrogant. In fact, it goes down like a lead balloon, taking the firm's reputation with it. Afterwards, Katharine tells Paul that bringing the VP along created a bad impression and he must work hard to correct it. She asks if he was annoyed at being kept waiting but Paul does not know. Nevertheless she is adamant that this individual is not to be involved in any presentation they may give the following week. Paul takes it on the chin but this has clearly presented him with a challenge. He tells us that they view this as a prime opportunity to create a good impression on a high profile piece of work. Katharine and I agree with him and encourage this belief.

Wednesday 4<sup>th</sup> August 2004

Today there is a Q&A session with one of the firms that have already been briefed. The other firm has declined the opportunity. I have other commitments and Katharine tells me afterwards that they were impressive. As a small firm, their MD is taking a very active part and had been present. Katharine says that he let his team handle the questions while he sat back, appearing to absorb what was going on.

We also have bad news. We have heard that neither of the firms we saw last Thursday want to propose. They do not believe that they can put the right people on the project at such short notice. We are all, including John and Tom, extremely disappointed that the second firm will not be participating. This now leaves us with three firms, only one of which is a panel member.

Paul leaves me a message asking if their lead consultant can speak to John to clarify some points. We refuse because we believe that this will give them an unfair advantage. Katharine is annoyed that he even asked and points out that they had their opportunity at the Q&A session.

Monday 9<sup>th</sup> August 2004

Katharine and I receive the responses from all three firms that are still participating. We take copies over to John and Tom for them to review.

Paul's proposal is, as we would have expected from such a large firm, a polished series of colour slides and flow diagrams. To us, it shows a robust, highly structured approach and both Katharine and I score it highly. We both want to see them go through to the next stage and provide a presentation. It is, however, the most expensive proposal but expressly leaves open the possibility of negotiating on price.

The proposal from the off-panel firm that attended the Q&A session on Wednesday also appears concise and structured. Although their costs have doubled from the first proposal, we put this down to a clearer understanding of the brief. We also want to see them go through to the next round.

The third proposal from the other off-panel firm, however, is not at all what we were expecting. It is easily three times the length of the others and goes into a huge amount of detail. They have sent full CV's for each of their proposed team members and some of these run to three and four pages each. I read the document but am unable to form a clear picture of exactly what is being proposed. We are disappointed to see that it is virtually exactly the same document that was submitted before and they appear to have taken very little notice of what we have told them. Apart from the muddled impression that we get from the proposal itself, we have other concerns.

Firstly, the firm is small and, rather than employing consultants full-time, it uses 'associates' which it engages when the need arises. Their ability to secure the right resource therefore worries us, as does their ability to make these individuals behave like a team.

Secondly, through speaking to him, we have learned that the MD is dealing with a personal crisis. Someone close to him is seriously ill and, more than once, he has been speaking to us from a hospital. Because the firm is so small, his involvement will be crucial but it is only natural that his attention will be elsewhere. Katharine and I see this as a major vulnerability and, on a project as important as this one, do not believe we can take the risk.

Our recommendation to John will be that we de-select this firm and request presentations from the remaining two.

Tuesday 10<sup>th</sup> August 2004

We have a meeting with John, Tom and the Project Manager to decide next steps. We have all scored each firm against the key decision criteria but first discuss each of the proposals.

John is not surprised by Paul's submission and says that it is just what he would have expected from them. However, he warns against being carried away by smart graphics. Likewise, the other firm's proposal generally has approving comments.

When we come to the third firm, the one that Katharine and I think should be de-selected, there is agreement among John, Tom and the Project Manager that they are strong contenders. Katharine takes a deep breath and says that we think they should be de-selected. John looks at her in amazement and says, 'Why? The CV's of the people they are proposing are awesome!'

Katharine explains that the document they have produced does not do what we had asked of them. We had asked for something that was concise and they have sent a long, muddled document. She also sets out our concerns over the use of associates. Neither John nor Tom see this as a problem and, although they acknowledge the state of the document, they excuse this by pointing to the creativity that they have seen the MD produce in the past. All three of them have



worked with him before and the Project Manager explains: ‘What you get with him is real, out-of-the-box creative thinking’. Tom agrees and says that if they want a truly innovative solution that will differentiate them from the competition, they are more likely to get it with this firm. Paul’s firm is seen as very disciplined but not as creative.

Katharine then asks if any of them are aware of his personal problems. There is immediately concern around the table and it is clear that this is news. Katharine stresses the serious nature of the problem. Our worry is the vulnerability created by reliance on one person who may be called away at any time and whose attention will, inevitably, be elsewhere. There is immediate and unanimous agreement that this is too great a risk and there is no further discussion. The firm will be de-selected and it is agreed that they will be eliminated from the next phase. Katharine will handle the communication.

We talk about the presentations and Katharine says we should be firm about the time the consultants have to present. She believes, and I agree, that they should be allowed only twenty minutes. Otherwise there is a danger that they will not be focussed and we will waste time listening to waffle and not have enough time for questions and answers. John disagrees but Katharine holds her ground and, in the end, her view prevails.

We then reveal our scores on the Key Decision Criteria. Katharine and I have scored Paul’s firm highest, while the others have been far more conservative. They had scored the de-selected firm highest.

As soon as we get back to the office, Katharine makes the calls and arranges the presentation dates. She tells the firms that their presentation must be no longer than twenty minutes. She also asks that the team members they are proposing to use on the project are present so that John and Tom can assess them.

Wednesday 11<sup>th</sup> August 2004

Paul's firm presents their proposal at 11.30 in our London office. They have sent the two senior consultants that will actually carry out the work, although the lead consultant is ill and cannot be present. They have also sent an alternative VP following our objection to the one that attended the Q&A session. This VP will be responsible for relationship management and quality checking the work. From our side, both Katharine and I are present together with John, Tom and the Project Manager.

For the presentation, they have produced a shortened version of their proposal that captures the main points. Each consultant presents the part that they will have responsibility for delivering, outlining process and previous experiences. There follows a question and answer session in which John, Tom and the Project Manager ask the questions. They direct these to all the consultants present and the responses are confident and authoritative.

John describes how the consultants will have to work with a group of senior executives who are equally experienced and will challenge them hard. As a result, he stresses how important it is that this group has faith in them. The VP replies:

‘This is what we do for a living...twisting, challenging, adding...Blending and being able to articulate better (and) in a compelling way challenge points of view....We bring the best out of an organisation and embed our own knowledge and experience.’

John also stresses that they will not be given a free rein to do as they please:

‘We don't want parallel vehicles...(you) must be comfortable working within a programme’.

We finish promptly at 12.30. The discussion afterwards is brief. We are all impressed by the individuals who appeared confident and experienced. The

presentation had been very polished and there is consensus that they can do the job. However, everyone is waiting for the final presentation tomorrow.

Thursday 12<sup>th</sup> August 2004

The presentation from the other short-listed firm is due to take place at 9am, again at our London office. I arrive about 8.15 and John and Tom are already there. The Project Manager arrives shortly after me. Katharine has stayed overnight in London and arrives about 8.45.

The firm arrives promptly and we follow the same format as before. The MD is present and takes an active role. He begins the presentation but uses prompt cards. This stops him making eye contact as often as he could and, frankly, looks a little amateur-ish after the slick presentation we had yesterday. He then hands over to the consultant who will lead the team if they are successful. This individual appears nervous. He is trying to look casual by sitting back in his chair and crossing his legs, but, to me, this only emphasises his discomfort. John asks him a question on the cost model that really throws him. He stutters, blushes and struggles to answer the question. It looks really bad.

The discussion after they have gone is one of disappointment. Their process is not strong and, despite questioning, no one could get a clear view of how they would manage the project. It seems that this would happen on a day-to-day basis and makes John, Tom and the Project Manager very nervous. There is a concern that engaging this firm will take too much of our management time and require a significant amount of leadership and hand-holding. Basically there is a fear that nothing concrete will be delivered at the end.

There is also little faith that the individual consultants would command enough credibility with the executive team. John thinks they would be led by the strong personalities there and not provide sufficient challenge.

Paul's firm, by contrast, had come across as highly competent and professional. There was clearly a rigorous, disciplined process and an established methodology that would be executed by a carefully managed team and quality-checked by a VP. This gave considerable comfort in their ability to deliver a critical piece of work on time and to a high standard.

The quality and experience of the individual consultants themselves was also impressive. Their anticipated credibility at a senior level was high and, in particular, it was felt that the VP would carry enough *gravitas* to be able to present to the executive team if required.

There was little discussion afterwards because the decision was fairly self-evident and Paul's firm gets the business. Katharine will handle the communication. She wants to negotiate more on the fees and John is happy for her to do this. He is just pleased to have the right team in place.

Katharine and I take a taxi back to the train station and Katharine calls Paul on her mobile. Naturally he is delighted to have the news. Katharine tells him the amount by which she would like him to reduce his costs. It is not insignificant and represents a further 14% discount. He promises to discuss within his firm and come back to her tomorrow.

Friday 13<sup>th</sup> August 2004

Paul speaks to Katharine mid-morning and confirms that they will reduce their costs by the requested 14%. They also agree that he and the lead consultant will come on site next week for two days, at no extra cost, to begin work with the Project Manager. There is also some discussion about the excluded VP. Paul explains that, because of his position, he should have some involvement. Katharine agrees but refuses to accept additional cost and still wants him to be kept away from John and Tom. Paul agrees and the deal is finalised.

I complete an Approval Form, obtain the relevant signatures and fax to Head Office. I stress the urgency and chase regularly afterwards.

We also need to do something about a contract. The framework agreement has not been signed in Head Office so we have little choice but to do something locally. We therefore agree a variation on Paul's standard Terms of Business that clearly incorporates their proposal. They are then contractually bound to deliver what they have promised us. We are also careful to tie the project deliverable milestones to payment so that if the deliverables are not signed off, no payment is due.

A few days later, Procurement in Head Office tell me that they have obtained approval from the Chief Operating Officer (who is senior to Steve) and that we should go ahead on this basis. They cannot get hold of Steve but believe this will suffice.

We let John know that he can go ahead. He is clearly very pleased with the result and he sends the following note to both of us.

Katharine, Debbie

I wanted to thank you for the support you have provided over the last few weeks.

You have managed the process excellently and I believe we have as a result got a much better outcome.

My perception is that the corporate governance has been successfully managed by you. As a consequence all meetings and interventions you have made to this process have been total value-add.

Additionally I wanted to specifically comment on your management of the suppliers. At all times they have been given very direct but positive feedback. I think this has been a key factor in each of the parties providing the best possible bid. Your actions have eliminated weaknesses and possible distractions before they ever reached the table.

I look forward to the next time I work with you. It has been a pleasure.

He tells Katharine that he had initially been sceptical of the process but now believes that it works.

Both of us believe that ongoing management and Procurement involvement in the project is vital to delivery and Katharine is instrumental in ensuring that regular communication meetings are scheduled at the right levels. She establishes weekly project review meetings for the lead consultant and the project manager, that she will also attend. At these meetings the project deliverables will be signed off to trigger payment. Katharine also establishes bi-weekly relationship management meetings for her, John, Tom, Paul and the VP. Because the relationships are so new, we are keen that the panel firm is seen to shine. Katharine, however, will take the ongoing management forward. She will keep me up-to-date with progress so that I can feed back into the global team how the panel firms are performing.

6th – 17th September.

I leave the office for two week's holiday feeling relieved that it is finished and that the work is going so well. The last thing I hear is that Paul's team is 'delivering to time and quality'. During the second week, however, Katharine calls me at home. Although I had specifically asked to be contacted if anything happened, she apologises for disturbing me at home. However, she thinks that I will want to know that Steve intends to sack Paul's firm and bring another firm on board ('ABC') to finish the project.

I am almost speechless because I know that the project has nearly reached its half-way point and will be difficult for any other firm to pick up at this stage. To the best of our knowledge, Paul has made every effort to meet our deadlines and put their best people on the project. This is bad enough but there is also an issue over money. We have negotiated a fixed fee for this project and have to pay the full amount whatever happens.

Katharine is unable to provide any reasoning for this apparently draconian decision because she has not heard it direct from Steve. It has filtered down to her from John via the Project Manager.

22<sup>nd</sup> September 2004

Since I've been back, it has been difficult to get any clarity on Steve's decision and whether there is any possibility of getting it rescinded. We know that Steve requested a copy of the RFP and the response and that copies have been supplied to him. Katharine has managed to gain some intelligence but not much. She has spoken to Paul and he has passed on what he has managed to glean. He was told by our MD that the reason 'appears to be political'. There is something about them, as a firm, that has caused an issue with Steve but, at this stage, nobody knows what.

I've e-mailed my team leader in Head Office asking whether he has any news. Because we have heard nothing, I say:

'I guess we have no choice but to assume that it is OK to continue? We are already almost half way through and into significant cost if we terminate now.'

He replies:

'I have made myself clear to (the COO) that I would support it, if we will continue with (Paul's firm), but currently it is with him, Steve and (the UK CEO) to decide. I just called (Steve's PA) and she told me that she has handed out the RFP and the proposal to Steve and doesn't know about any further actions or decisions.'

Paul is naturally concerned about the relationship between our two companies. He tells me: 'If Steve doesn't like us then, we're all adults, so let's just walk away'. They clearly have no wish to waste valuable time and resource flogging a dead horse. However, because neither Katharine nor myself can come up with any answers, we look as if we have little authority within our organisation. Paul is therefore by-passing us and tapping his contacts elsewhere within our company to try and get answers. He has already mentioned that he will make

contact with the Finance Director in Head Office with whom he worked previously.

27<sup>th</sup> September 2004

It appears that nothing can be done to change the situation. The Project Manager is agreeing with Paul what can realistically be done in the time remaining to them. Steve has said that they must be off-site in seven days but John is trying to negotiate fourteen.

A transition meeting has been held and the project is divided up into discrete parts. Paul's firm will be allowed to complete one part and the other part will be resourced internally and with contract staff. ABC's role has not yet been decided. The Project Manager writes to me:

‘...the discussions with Steve are sensitive and ongoing – all that is being established is how we can disengage from (Paul's firm) with the maximum added value from the deliverables to date.’

Thursday 30<sup>th</sup> September 2004

It is still unclear why Steve sacked Paul's firm. Katharine writes to our manager, copying me:

- ‘ABC have not instigated this change of consultant and are in fact uncomfortable, knowing it's not their core skill.
- They are really struggling to find the resource, which just seems a ridiculous situation
- However, they will pick up the “high level challenges” on the basis that they have Steve's authority to do so



- (Our MD) has advised Paul that there is no barrier to them continuing to work with us, so (the Project Manager) is retaining 2 consultants...for another 4 weeks
- (Paul's firm) have also been told by (our MD) that they have every opportunity to win implementation work.
- This seems to us (Katharine and the Project Manager) to be a complete contradiction to the information we have, which is that Steve doesn't want them on site. I feel it's vital that we have an answer to this....how do you believe we can get this?'

There seems little point in continuing any relationship-building efforts with the panel firms until we know the role that Steve envisages for ABC. I hear from my team leader in Head Office that Steve has an agreement with ABC and we repeatedly try to get a copy of the agreed rates and the contractual documents. However, these are never forthcoming. We therefore suspend meetings with the panel firms until the picture clears. In the meantime, the situation on the project itself sounds desperate. Katharine has heard that John and Tom are really struggling with the poor quality of the ABC personnel and the time-scales have been pushed out.

We are also aware of executives who are engaging consultants but not going through the mandated approval process.

1<sup>st</sup> October 2004

Katharine speaks to Paul and he tells her what he knows. Paul has been told by our MD that 'the reason ABC have been engaged is that he (Steve) had just signed a global agreement for them to get all strategic projects, world-wide.' Our MD has plainly tried to give some comfort to Paul but he remains nervous.

Katharine and I have no knowledge of this deal and she concludes:

‘Unfortunately of course we really don’t know what’s in Steve’s mind but I think (we) should try very hard to find out.’

Thursday 25<sup>th</sup> November 2004

I have a conversation with Katharine. She has heard that our MD in the UK, John, Paul and his VP had dinner together this week. Katharine assumes that they were ‘no doubt discussing future business’. I also add that Paul has not responded to me on a contract query. It appears that both Procurement, and the process, are being avoided.

The only answer we eventually get, through my team leader in Head Office, as to the reason behind Steve’s intervention is that he wants ABC to do all ‘strategic’ work. However, we still do not really understand because the work that Paul’s team was engaged to do was not what anyone would call ‘strategic’. They were designing an organisational structure following a strategy that had already been set – by ABC.

## **CHAPTER ELEVEN**

### **RESEARCH ANALYSIS – INTERVIEWS AND EXTENDED OBSERVATION**

#### Introduction

Chapter One outlined the problems that attempting to control management consultancy caused the Procurement Department of the subject organisation. The difficulties of gaining involvement in consultancy engagements were also demonstrated in the extended observation. The data presented in Chapter Ten, however, extends the picture from the initial difficulty of gaining access to give further insight into the entire procurement process and the effectiveness of the methodologies employed. The difficulty of applying procurement methodologies to consultancy becomes visible and this adds considerable depth to the data and the subsequent analysis. It demonstrates the true scale of the difficulty that consultancy presents to procurement practitioners. That is, it extends far beyond merely gaining involvement and also encompasses problematic application of procurement methodologies.

These difficulties then have profound implications for the academic view of Procurement as a strategic function aspiring to full integration. If the difficulties of access are compounded by difficulty applying procurement methodologies to consultancy then this aspiration appears fundamentally flawed.

In addition, the sensitive nature of the data collected in both the interviews and the extended observation reaffirm the methodological choices made for data collection. Also, such close access to the data in the extended observation would only rarely be available to anyone other than an employee who was also a participant in the project. Repeated requests for an opportunity to observe executives engaging consultants had produced no results. However, actual involvement in the project guaranteed unrestricted access to the data. The

observation made possible the provision of data from a different perspective than executives alone.

The following analysis of data from both the interviews and the extended observation is structured around the research questions.

# 1 On what basis do executives buy management consultancy?

Data from the interviews in Chapter Eight revealed that executives apply a combination of objectivity and subjectivity to consultancy engagements. Subjective value constructs included the need for external validation and reassurance as well as consideration of personal relationships in selection decisions. Critically, however, the dominance of either subjective or objective value constructs is dependent upon the category of consultancy being procured. Chapter Nine then developed the distinction between the categories that were labelled Tactical Consultancy; High-Level Strategic (HLS) Consultancy and Top-Level Strategic (TLS) Consultancy. Objectivity tended to dominate the procurement of Tactical consultancy but subjectivity tended to dominate decisions within the strategic consultancy categories.

This variation was also apparent during the extended observation where both objective and subjective value constructs were important factors in the selection process. Although the interaction between the two was complex, the final selection decision was driven by subjective responses. This is discussed in greater detail below.

The selection process itself was managed by Procurement and all the steps that would be expected from an objective process were followed and documented. The apparent objectivity of this process was, however, corrupted in subtle ways by the subjectivity of the underlying value constructs. Although the vague nature of the selection criteria would have enabled manipulation had their use ever been decisive, as the project progressed they became increasingly irrelevant. The selection was, in reality, driven by the subjective views of the lead executive

regarding the individual consultants, and the quality of their ‘performance’ during the final presentations.

In accordance with standard objective selection process, decision criteria were established. At the outset, the stated reasons for using consultants comprised objective value constructs only. The executive leading the project was under extreme time pressure and could not acquire internal resource with the right skills at such short notice. There was the need for technical skills in the form of the experience and established methodologies that consultants would bring.

It also required, crucially, the ability to challenge senior executives, secure their agreement and manage internal politics. However, although there were vague references to ‘additional capabilities’ at the beginning, these requirements did not become clear until later in the process. During the Q&A sessions with the consultants, the executive began referring, for example, to the need to ‘engage’ the senior executive team and provide a ‘level of challenge’. Within the Key Decision Criteria for selection, although a weighting of 30% was allocated to ‘suitability of team members’, it was not specific about precisely what qualities would make individuals suitable. As the process moved forward, however, it became clear that personal credibility and the ability to manage senior executives were as important as their technical ability.

Other selection criteria were also wide enough to allow the exercise of a considerable degree of subjective choice. For example, ‘degree to which proposal is deemed fit for purpose’ and ‘degree to which solution matches aspirations’ are vague statements and yet, when combined, accounted for 40% of the final scoring. Throughout the course of the selection process, these criteria were only used for scoring on the one occasion of the short-listing exercise and then only after the decision had been made. They were not formally used or referred to again and never influenced decision-making to any significant degree.

The final selection decision was based on consideration of different elements. Confidence in the individual consultants themselves, however, was the factor that

dominated the final decision above anything else. Nothing else in the selection criteria was discussed or considered. The successful firm was the only one considered capable of delivering a credible solution with minimal leadership from the responsible executive. Crucially, they were also considered to have the ability to ‘sell’ that solution to the senior executive team.

The ‘performances’ that both firms gave under pressure during the presentations was largely the measure used to assess their ability to deliver what was required, although other factors were considered.

Objective value was evident in the knowledge-base and established methodologies that enabled the successful firm to respond very quickly to the brief and produce a robust and structured project plan. The proposal itself was an impressive document that clearly outlined an approach to the project that was based not only on the personal experience of the assembled team themselves, but also on the experience of the wider firm itself. The other short-listed firm also provided a proposal that was well-structured and concise. Although the clarity of purpose seen in both proposal documents was important, it was not sufficient by itself to secure the engagement. The decisive factor was the firm’s ability to convince the responsible executive that their team contained individual consultants who had the personal qualities and *gravitas* to successfully manage senior executives. The quality of their ‘performance’ during the presentation was therefore highly significant because the selection decision was driven by subjective responses to it.

The emphasis on the importance of the ‘performance’ makes explicit a clear link with the dramaturgy literature discussed in Chapter Two. The quality of the people being put forward by both firms was of crucial importance to the success of the engagement. Although they had provided a proposal document, the image they projected during the presentation was also a highly significant way of assessing the suitability of the individuals who would be providing the service. Therefore, the confidence with which they expressed themselves, their body language and their appearance were all factors in making a judgement.

The unsuccessful firm gave a very disappointing 'performance' and this was accentuated by the highly orchestrated and thoroughly rehearsed presentation on the previous day. At crucial points, the lead consultants failed to impress. The Managing Director was not confident enough to speak without prompt cards making him appear stilted and inarticulate. The lead consultant stumbled when asked an important question and was unable to provide a satisfactory response. These were not only taken as direct indications of technical competence but an example of their inability to present to the Executive Board.

The successful consultants, however, appeared confident and were able to respond to all questions in an articulate and persuasive way. This gave an extremely positive impression of their overall abilities and competence. The VP in particular created the impression of someone with a high level of credibility who was professionally very capable. Based on this, judgements were made about his ability to influence the senior executive team. As a group, they were also able to convey the sense of co-ordination and unity of purpose that was expected of a team.

The ability of the executive who was procuring the consultancy to critically assess technical quality was also apparent. Not only was he formerly a consultant with one of the firms invited to propose, he also had a very clear vision of what he wanted to achieve from using consultants. Detailed technical questions were asked at the presentation sessions and very clear objectives and milestones were set. In addition, a project manager was appointed to ensure that timescales and quality requirements were met. Progress was therefore rigorously monitored and milestones only signed off when the executive was satisfied. These milestones were also tied to payment. Such close management would not have been possible without the ability to assess technical quality.

Another factor in the variation of procurement processes across the categories of consultancy was the use of the different processes to mitigate risk. During the interviews, executives described how they used, or aspired to use, objective

selection processes at the tactical level. This was made possible by a potentially wide supply market in which a number of firms could undertake the work. Individual relationships are less important at this level because the issues are not as sensitive as they are at either of the Strategy levels. Robust management against clear objectives ensures delivery of value at the Tactical level.

Within the category of TLS, however, relationships, personal chemistry, and trust are used to mitigate risk. At this level, there is a limited supply market because only a small number of individual consultants will be able to develop the levels of trust and credibility necessary to maintain such relationships. Standard procurement process that manipulates a competitive situation will not, therefore, be as effective as it would be within the Tactical category.

The extended observation was particularly interesting because it demonstrated the influence of subjective value constructs in driving the need for consultancy and the subjectivity involved in selection within this intermediate category of HL strategy. It also demonstrated, however, the value that process added despite the influence of subjectivity. The interviews showed that there was willingness and a desire on the part of executives to use process, but that they were frequently prevented from doing this by various environmental pressures such as time or power-based peer pressure. This was also evident during the extended observation where process was being used prior to Procurement involvement, but in an undisciplined and inconsistent manner due to time pressure. Process therefore has a significant role in risk mitigation at this level of consultancy procurement because it provides a robust framework in which both objective and subjective value constructs can be developed.

In summary, although the selection of consultants by executives is based on a mixture of subjectivity and objectivity, the balance of these within any selection decision is likely to be influenced by the categorisation of the consultancy itself. Objectivity is more likely to dominate any decision within the Tactical category, but decisions within the HL and TL strategy categories will never be purely objective because of high levels of subjectivity within both the value constructs



and the final selection decision itself. It is also difficult for Procurement to influence these subjective responses because they are so personal to the individual executive himself or herself.

## 2 How would the objective processes used in strategic procurement contribute to buying management consultancy?

The sourcing literature discussed in Chapter Four is based upon the objective methodologies developed by Procurement professionals and others to manage the purchase of goods and services by organisations. These methodologies cover basic process but are also based upon business-to-business relationships. As such, they focus on rational strategies that are designed to generate tangible value for organisations, such as lower cost and continuity of supply. These value constructs are the products of empirical research and Procurement professionals apply the techniques and methodologies consistently and objectively in conjunction with ethical codes of practice. They will consider the entire business requirement, aggregate as appropriate and manage using professional processes. Their application to management consultancy would attempt to ensure the dominance of objective value constructs and process, while the influence of subjectivity would be minimised appropriately.

The influence of these ideas and methodologies can be observed in the data generated through both the interviews and the extended observation in two ways. Firstly at a micro level, the use of a structured process to select firms and, secondly, the use of relational strategies at a macro level to improve control and reduce risk.

Firstly, data from the interviews identified the objective value constructs that underpin the procurement of Tactical level consultancy. Objective process supports these value constructs well because the objectives of the consultancy can be clearly identified and the supply market is not unduly restricted. A Specification of Service can be prepared to which several consultancy firms can respond with a full service proposal. A competitive situation is thereby created

and valid comparisons can be made. Cost and contract terms are negotiated appropriately. Objective value constructs and objective process complement each other well and executives view the use of objective process within this category of consultancy as the natural and obvious way to select the most appropriate firm. They wanted to be able to apply such processes to Tactical consultancy procurement but were often prevented from doing so by environmental pressures.

The use of objective procurement process was also observed during the extended observation. Although this involved consultancy procurement within the HLS category not the Tactical category, Procurement was still able to introduce standard selection process. Final selection decisions were still largely driven by subjective responses to individual consultants but the objective process did have value and worked to improve the final result. Adherence to standard procurement Request for Proposal ('RFP') process ensured that the following tasks were undertaken and were, most importantly, undertaken in a consistent manner across all firms taking part.

- A much wider selection of firms were considered than had originally been identified by the executive.
- A service specification was produced that clearly documented what had to be delivered and the timescales within which it had to be delivered.
- Thorough briefings with key staff took place to ensure that the firms understood the service specification.
- Formal proposals were received enabling valid comparisons.
- Formal presentations were arranged where the executive responsible for appointment could directly question the consultancy staff who would actually be carrying out the work.
- A competitive situation ensured that a significant reduction in fees was secured.
- Potential threats were identified and eliminated.

All the participating firms were given the opportunity of presenting the most comprehensive proposal that they were capable of producing and accurate comparisons could be made because of the consistency with which the process was managed. In this way, the process acted as a framework which enabled informed decision-making on a 'level playing field'.

However, the influence of professional Procurement methodologies on the purchase of management consultancy was also apparent at a macro level in the extended observation. Procurement had established both a panel of consultancy firms and an approval process governing demand for their services. It was therefore, firstly, attempting to aggregate expenditure across the organisation so that demand could be focussed on a smaller number of suppliers. Preferential rate cards could be developed with these suppliers due to the increased volumes of business. Adequate reporting and strong relationships could also be developed to ensure greater visibility of the services being delivered and robust contracts mitigated commercial risk. Secondly, through the approval process, Procurement was attempting to manage demand for consultancy services, as well as ensure the channelling of business through the panel firms.

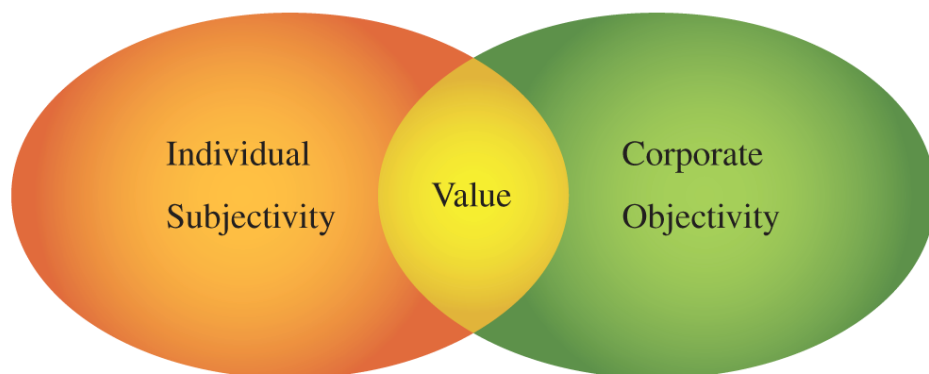
Whilst there had been limited success introducing objective process at a micro level, Procurement encountered great difficulty implementing both the approval process and the panel strategy. There was strong resistance to the approval process and non-compliance was a major issue. Executives simply did not seek approval but continued to exclude Procurement and select consultancy firms alone. At the time of the extended observation, the process had been publicised under the name of an extremely senior executive sponsor from Head Office but this still failed to improve compliance.

In summary, Procurement would seek to increase objectivity within the selection and use of management consultants. To do this, it would use both process and macro-level relational strategies as well as a strong governance structure. However, the data indicates that such approaches are not easily applied to management consultancy. Objective procurement process is successful within

the category of Tactical consultancy but has increasingly limited application within the HL and TL strategy categories. In addition, executives resist governance structures that limit their ability to choose the consultants they prefer and require them to justify the decision to use such external resource.

3 Is there any compatibility between executive procurement of management consultancy and professional procurement methodologies?

Value can be assessed in different ways across an organisation. It exists on two levels, objective and subjective, and can be viewed through each of these different lenses, either alone or in combination. Inevitably subjectivity will have some influence in selection decisions, even in the most objectively established process. In a rational procurement model, therefore, subjectivity and objectivity would be synthesised as shown in Figure 11.1 below to produce a definition of value.



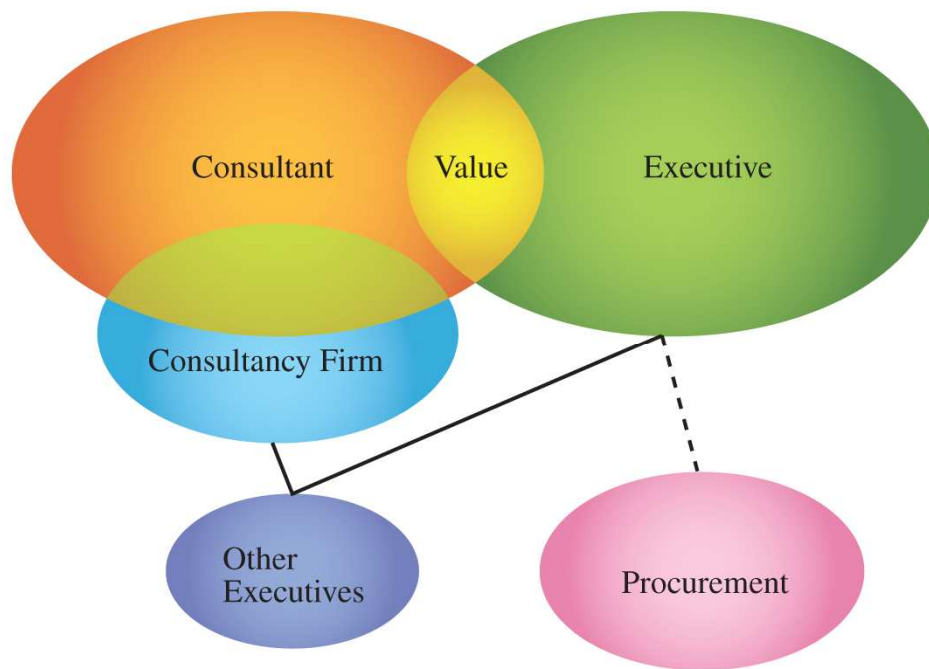
**FIGURE 11.1**  
**RATIONAL PROCUREMENT MODEL**

The degree to which either subjectivity or objectivity will influence decision-making varies according to the category of consultancy being procured. Objectivity tends to dominate Tactical consultancy but this differs within both the HLS category and the TLS categories. Here the model is skewed towards the individual and their subjective responses. This was illustrated during the

extended observation where subjectivity influenced the selection to a significant extent.

The influence of subjectivity is pronounced to a greater degree within the TLS category. Here, the relationships between consultants and executives described in the Interviews exist on a personal basis and not at an organisational level. This has a fundamental impact on the way that value is defined. In a close relationship between an executive and a consultant, value is defined by these two individuals without, necessarily, any reference to external objective value constructs. This definition of value is then imposed upon an entire organisation.

Such a situation has advantages for both consultant and executive. The consultant has the opportunity to manipulate the definition of value by influencing one individual executive rather than a group of Procurement specialists equipped with objective definitions of value. The executive can use the consultant for 'help on the bridge' or 'coaching' without ever having to reveal any vulnerability. Where the relationship exists between two individuals, however, the client organisation is never able to formulate an appropriate response to the consultancy firm using its internal expertise. This is illustrated in Figure 11.2 below.



**FIGURE 11.2**  
**DEFINITION OF VALUE IN STRATEGIC CONSULTANCY**

This situation does not preclude consultants from establishing a separate relationship with Procurement. For example, in the observation data, the account director from the successful consultancy firm was in the process of developing just such a relationship. However, this relationship was not actively pursued following the sudden and untimely conclusion of his firm's involvement in the project. This individual then moved on to another firm and Procurement now (in 2008) has no contact with his old firm. It is significant, however, that he ceased contact with Procurement when it became clear that they could do nothing to influence a senior executive's decision. Instead, he immediately fell back on established relationships with other senior executives to gain the information he needed. Consultants will not, by choice, cultivate a relationship with Procurement unless they are compelled to do so because this will mean exposure to objective value definitions.

Within the categories of TLS and HLS, therefore, both consultants and executives have powerful motivations for excluding Procurement and the methodologies they utilise. At the tactical level of consultancy procurement,

however, the situation differs because value is more likely to be defined within a relationship between corporate firms that is based on objective value constructs. Process is therefore highly significant within this category in mitigating the risks associated with procuring consultancy.

Process can also bring significant advantages within the category of High-Level Strategy (HLS), as demonstrated in the extended observation, even though the final decision was based on subjective responses. In this instance, however, the executive had to have such advantages demonstrated to him because his initial view was dubious.

In summary, there is a high degree of compatibility between Procurement methodologies and Tactical consultancy because of their common foundations in objective value constructs. The rigour of Procurement process can also provide a robust framework for subjectively based decision-making within the HLS category. Within the category of Top-Level Strategy (TLS) consultancy however there is very little, if any, compatibility because of the intensely subjective value constructs being referenced by executives.

#### 4 What are the implications of executive procurement of management consultancy for the development of strategic procurement as a professional function?

The exclusion of Procurement and the limitations of its processes are seen most clearly in the extended observation. This is discussed in greater detail below.

The appointment made as a result of the process ultimately failed when a senior executive from Head Office became involved. This individual reversed the selection decision that had been made, despite the considerable cost that this entailed with no direct explanation to Procurement. This action, and the rationale behind it, was never communicated directly to Procurement who had to rely on second hand information from the project manager and the consultants themselves. Eventually it became apparent that an appointment had been made,

by the same senior executive, of a global firm to handle all 'strategic' projects for the entire organisation.

The reasons for such an appointment can only be a subject for speculation. It would, however, be a good way for this particular executive to retain control over certain aspects of the organisation's activities in the event that he did not trust employees to comply with directives. Within such a large and disparate organisation, issues of control may be problematic so this would seem plausible. It is also possible that relationships with the consultancy firm were firmly established at senior levels within the organisation and these overruled relationships with employees.

It does, however, provide a confirmatory example of the exclusion of Procurement from TLS consultancy engagements. Although a breakthrough had been achieved in the success with the initial appointment, this was rapidly reversed in the events that followed. From a position of controlling the process, Procurement was then excluded from all communications with Head Office connected to this project. Negotiations to try and salvage the project took place directly between senior UK executives and Head Office without any involvement from Procurement, despite the best efforts of senior Procurement personnel. Procurement was then also excluded from subsequent meetings and communications between the consultancy firm and senior executives in the UK.

It is also worth noting that, in addition, Procurement had no involvement in the initial appointment of the preferred strategy firm that was imposed on the UK business by Head Office. Procurement also failed to obtain even a copy of the contract or the rates that had been agreed. Despite repeated requests, the terms of appointment were always withheld and the relationship managed by one senior executive.

In summary, the subjectivity involved in the selection of consultants within the TLS category has profound implications for the position of Procurement as a strategic function. It implies an exclusion from this area of expenditure that



cannot be overcome so there will always be a pocket of supplier expenditure that Procurement is unable to control or even influence. This runs contrary to models of procurement that envision it as a fully integrated strategic function that has unlimited access to, and influence over, all areas of expenditure. The data from both the interviews and the extended observation suggest that full integration will never be possible.

### Conclusion

A rudimentary classification of consultancy engagements into three categories was suggested by one of the interviewees. This was adopted and utilised as a useful framework and consultancy engagements were viewed as either Tactical, HLS or TLS. It was also evident from the interviews that the value constructs underlying Tactical engagements were compatible with the objective value constructs underlying procurement processes. In addition, the observational data from the extended observation demonstrated that the procurement process can have limited effectiveness when applied to HLS engagements.

Such objectivity fails, however, within the TLS category. This is where corporate strategy is being formulated by a small group of executives including the CEO and his or her opposite number in the preferred consultancy firm. In these instances, the objectivity of Procurement process meets with the subjective value choices of the individual executive resulting in an inevitable conflict. Procurement will struggle to change this situation because it operates within a hierarchical structure. The subjective value choices of senior executives, such as the CEO, are therefore likely to take precedence because their status and authority are senior to procurement and the value constructs are important to them on a personal level.

When senior executives look for consultants to help them with *inter alia* corporate strategy, they are looking for credible individuals with whom they feel they can form a trusting and productive working relationship. These are individuals in whom they can confide, find reassurance and discuss difficult

issues as an equal. It is also extremely likely that they want a strong consultancy brand to validate their strategy both internally and externally. In these instances, subjectivity and personal chemistry will be more important than objective selection process. The exclusion of Procurement on these occasions is compounded by consultants who have powerful motivations for restricting the way they engage business to a one-to-one relationship of individuals. These consultants have considerable influence with senior executives because of their external status and have no reason to co-operate with Procurement.

The use of consultants to deliver subjective value, such as 'help on the bridge', external validation and management of internal politics, suggest that executives manipulate consultants to achieve their own objectives. These 'irrational' drivers for consultancy are unlikely to change. On occasion, the rationale behind a decision to engage a consultancy may be so personal that executives do not want it to be open to scrutiny by Procurement. The value constructs may be vulnerable to objective scrutiny and, as such, executives will not expose them. For example, in the extended observation, the senior executive decision to change consultancy firm part-way through a fixed cost project did not appear rational and Procurement was completely excluded from all decision-making and communication. The interview data also demonstrated that executives will engage consultancy firms even if they know the work could be done by internal resource. Both these instances would not fit easily with the rational objective value constructs that underpin procurement methodologies.

The conclusion drawn from the research data is that objective procurement processes can be applied to tactical level consultancy engagements, and even to HLS engagements. It is not possible, however, to apply them to TLS engagements instigated by CEO-level executives because of the incompatibility of value constructs and, therefore, the inappropriate nature of procurement methodologies.

### Methodological Conclusions

The nature of the data that was collected during both the interviews and the extended observation was extremely sensitive and often given in response to *ad hoc* questions or told in stories and illustrated by examples. This reaffirms the decision to use loosely structured interviews and observation as data collection techniques. Quantitative techniques are unlikely to have produced the same depth of data because the rigid nature of these techniques is not as well suited to the purposes of this research. It was extremely important that executives were allowed to speak in their own terms and not respond to prepared questions.

The extended observation, in particular, allowed the collection of data that is unlikely to have been easily accessible by any other researcher. The difficulty of gaining access to executives for interviews has already been discussed in Chapters One and Seven. The observational data is of a kind only rarely available to anyone other than an employee. It is highly unlikely that any external researcher would have been permitted unlimited access to such sensitive data. The decision to concentrate on a single organisation therefore appears justified.

## CHAPTER TWELVE

### CONCLUSIONS

The subtle distinctions between objective and subjective value constructs that inform supplier selection by executives have far-reaching implications for the role of Procurement within organisations. These distinctions are found within the literature and were also reflected in the research data. They are reiterated below and the wider implications examined.

The services marketing literature examined in Chapter Two portrayed service provision from the basis of research rooted in the study of mass-market consumer goods (Parasuraman *et al* 1990, Gronroos 1983 and 1998, Normann and Ramirez 1993, Wikstrom *et al* 1994, Normann 2000). This literature therefore takes the perspective of the individual consumer, and the subjective nature of the value choices that he or she makes, as its reference point. This is also seen in the literature specifically concerning management consultancy where the effect of, for example, dramaturgy on the choices of individual managers is discussed (e.g., Clark 1995, Gill and Whittle 1992, Clark and Salaman 1998, Clark and Fincham 2002, Kieser 2002). The relationships that are focussed upon are those between individual consultants and individual managers. The way in which personal subjectivism at a micro-level influences choice is therefore pivotal to the literature examined in Chapter Two.

In contrast, however, Chapter Four presented macro-level objective approaches to sourcing produced by industrial economists, the IMP group and procurement specialists. Various strategies, both transactional and relational, are presented as optimal methodologies for organisations to procure goods and services. For example, the use of governance mechanisms, implementation of supplier networks, appropriate adoption of obligational contracting relationships and portfolio analysis. These all describe ways of maximising the potential value derived from suppliers. This analysis, notably, takes place at the organisational rather than the individual level. Relationships are envisaged as existing between

organisations and are merely facilitated by multiple individuals within each organisation who engage at different levels.

The processes and values that are the foundations of the sourcing literature and procurement practice are presented as unrelentingly objective. This reflects their origin in research based in the manufacturing sector where uninterrupted supply of materials and Research and Development, for example, are key factors in maintaining competitive efficiency. The processes described allow little scope for variation. For example the process described by Van Weele (2000) is mechanistic and inflexible. Axelsson and Wynstra (2002) describe a process for procuring services that is more open to variation. However, it is clearly based on objective concepts of value that reduce everything to consideration of price. In the process of value analysis, users are encouraged to attach economic values to everything, even where this will be extremely difficult. For example, although the 'meta value' provided by consultancies such as McKinsey is acknowledged, little guidance is given on how to account for it in the decision-making process other than attempting to reduce it to price. Relational procurement strategies are also based on objective constructions of value, for example joint Research and Development activity or the ability to access resource in times of scarcity (Sako 1992, Lamming 1993, Nishiguchi 1994, Hines 1995, Macbeth 1994).

Within this section of literature, the analysis of value creation is therefore at an organisational level and this conflicts with the concentration on personal relationships and preferences in Chapter Two. The concept of subjectivism was examined in greater detail in Chapter Three where a contingent approach to value choice was developed. This does not rely on price as a 'choice-indicator' or place restrictive assumptions on the value-judgements of individuals. As such, it provides a much wider frame of reference for the data analysis and allows a fuller consideration of the role of subjectivism in decision-making. The sourcing literature, however, appears to marginalise the importance of subjectivism and remains mired in its preoccupation with cost and, in some instances, pre-established notions of human behaviour that reflect foundations in industrial economics (Williamson 1975 1996, Cox 1996, Cox *et al* 2000).

A tension therefore exists in the literature between the objectively presented approaches seen in the sourcing literature and the subjective approaches seen in both the service and management consultancy literatures. This has significant implications. In order to obtain detailed insights into the procurement of management consultancy, it was necessary to examine literature from outside of the established body of purchasing and supply literature (e.g., Maister 1993, Clark 1995, Maister *et al* 2000, Gammelsaeter 2002, Alvesson and Johansson 2002, Schwarz 2003). It was only within this other literature that the subjective preferences and motivations of individuals were duly considered and, in so doing, rich insights into the political use of consultants, for example, were gained. Consideration of these subjective factors deepens the understanding of management consultancy procurement to a significant degree. Their absence in the purchasing and supply literature is therefore conspicuous.

This gap in the purchasing and supply literature stems from its concentration on the delivery of value at an organisational level rather than an individual level. Value, as previously noted, is defined within the sourcing literature in terms of what will benefit the organisation. This includes, for example, faster product development or joint research initiatives. The motivation of the individual executive and its impact on procurement decisions are not considered and this omission impoverishes the literature because, unless it is acknowledged, an accurate picture of procurement reality will not be obtained. The current assumption seems to be that all procurement decisions tend to be made without reference to some subjective considerations and this is unrealistic.

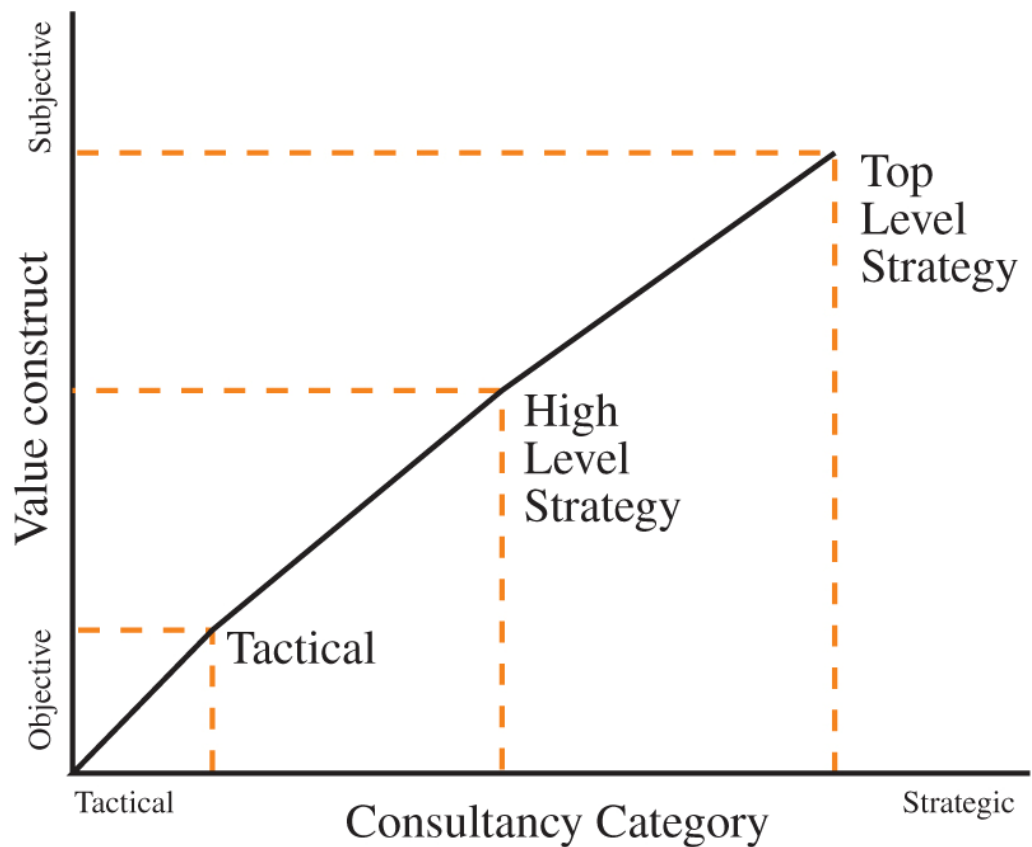
The sourcing literature in Chapter Four implies a cohesion that does not actually exist within organisations. To implement the strategies described would require that the executives leading the business are fully aligned with Procurement and that both share common value constructs. This is directly contradicted by the research data presented in Chapters Eight and Ten which suggest that cohesion and alignment is not consistently true for all areas of corporate expenditure.

The tension between objectively and subjectively presented approaches that was found in the literature was also evident in the research data. Important to analysis of the research data was the segmentation of consultancy into three categories: Tactical; High-Level Strategy and Top-Level Strategy. Within each of these categories there was a subtle variation in the selection criteria used by executives and Procurement.

Objectivity dominated executive decisions within the Tactical category of consultancy. Within the other two categories, however, close personal relationships between executives and consultants had the potential to develop and these could monopolise the definition of value. Executives were able to use consultants for a variety of purposes from personal ‘coaching’ to validation of recommendations. Such uses were subjectively judged by executives to be valuable to themselves as individuals working within the context of a hierarchical organisation. The tendency of executives to rely on subjective responses increased as the category of consultancy being procured became more strategic and high-level. The personal relationships that developed at this level became so strong that, sometimes, they moved with the executive to different organisations.

Within the extended observation, executives were influenced to some extent by subjective responses while, in contrast, Procurement established process-driven selection methodologies that attempted to introduce objectivity. Relational approaches and attempts at aggregation were also instigated because of the objective value that such approaches would deliver to the organisation.

The relationship between value construct and consultancy category is illustrated below in Figure 13.1.



**FIGURE 13.1**  
**THE RELATIONSHIP BETWEEN CONSULTANCY CATEGORY AND VALUE**  
**CONSTRUCT**

The sourcing literature assumes that executives have the same objective value constructs as procurement professionals and that both will work together as a cohesive unit. This does not appear to be consistently true and assuming that it is masks the reality of organisations that comprise individuals who make choices using a combination of objective and subjective value constructs. Organisations comprise both objective and subjective processes so that, in reality, the industrial environment mediates the objectivity with which Procurement approaches decision-making. The sourcing literature does not allow for these additional influences.



This could be seen in the interviews where executives favoured particular consultants and, also, during the extended observation where process was corrupted by subjective responses to individuals and their ‘performances’. Where the consultancy services being procured were for corporate strategy or ‘coaching’ of senior executives, for example, subjectivity was a primary driver in making selection decisions. Executives alone are able to decide whether ‘personal chemistry’ is present and objective considerations are only a part of the final selection decision. Conversely, for Tactical consultancy, executives were not only willing to use objective process but actually believed that this was the correct methodology to employ because different considerations apply. There was, therefore, a much greater degree of compatibility with Procurement methodology within this category.

The research data therefore provides empirical evidence that organisations comprise objective and subjective processes and values and they co-exist relatively harmoniously. Neither the sourcing literature nor procurement processes acknowledge this diversity, however, and both persist with the attempt to impose a rigidly objective frame of reference on all procurement activity undertaken by executives. There is, however, only a partial match in the compatibility of procurement methodologies used by both Procurement professionals and executives. To overcome this difficulty and avoid unnecessary conflict, Procurement must re-calibrate its measures of success and acknowledge its limitations because consultancy use is a powerful force within organisations.

The research data suggests that consultants will always have a role within organisations at a strategic level because they are used by executives to achieve their own personal objectives. Executives appeared to find significant value in the ability to refer to consultants. Furthermore, their uses for the purposes of *inter alia* validation and managing internal politics suggest that executives, far from being passive, actually act as manipulators. They manipulate the ‘professional’ image engineered and exploited by consultants to add credibility to themselves and their recommendations. Consultants, in turn, are prepared to be manipulated and place the personal satisfaction of their executive client foremost

(Kam 2004). They are, therefore, a malleable and powerful resource for executives that has the potential to develop into a highly symbiotic and powerful relationship. Consultants will continue to be used by executives who will also continue to procure these services using the same subjective value constructs identified in the research data.

This situation is compounded by the senior positions that executives hold within the hierarchy of organisations. So, not only do they have the desire to use consultants, but in many cases they also hold positions senior to Procurement. Executives are therefore affected by different issues of accountability to those managed by most employees. They also confront different challenges. Their audience comprises other executives before whom they must maintain an image of authority and efficiency. It is here that highly significant decision-making takes place but this is a hinterland that Procurement does not enter and is unable to influence. The hinterland that Procurement inhabits is different and requires delivery of quantifiable value to the organisation, usually in the form of verified cost savings. It also has clearly defined reporting lines and accountabilities. The role and purpose of Procurement is therefore much more clearly defined and procurement professionals cannot transgress boundaries and roles in the same way that executives are able to do.

In addition to subjective responses, however, there were also indications that executives are able to assess the technical quality of consultants and play a significant role in co-creating value. The observational data contained an example of an executive who had previously worked as a consultant with one of the firms that was asked to provide a proposal. Such cross-fertilisation would further reinforce the assertion that executives are not naïve purchasers of consultancy services. This must also raise further questions over the value that Procurement is able to add to the engagement of consultants.

It seems highly unlikely that Procurement will ever be able to influence the purchase of strategic consultancy use at the highest levels of the organisation for a variety of reasons. As already noted, the personal relationships between

executives and consultants can not only become very strong indeed, but also exclusive in nature. The issues being addressed at this level are so intensely close to executives that trust and 'personal chemistry' become vital considerations. Cost reduction, so integral to Procurement objectives, is not necessarily a success factor in this situation. So, even if Procurement were to become involved, there appears to be limited scope for achieving the kinds of value practitioners would traditionally seek.

There is a fundamental mismatch of value constructs at this level which makes Procurement involvement in top-level strategic consultancy use inappropriate. The reality of the way that organisations operate is rich and complex. It is a mixture of objective and subjective value constructions made by a variety of individuals, each of whom performs before a different audience and has different accountabilities. In this situation, the blanket imposition of an objective procurement process is inappropriate. Procurement must recognise the diversity present in organisations and become more selective about the situations in which it attempts to impose its methodologies.

Chapter One discussed the problems encountered by procurement professionals attempting to control consultancy expenditure within the subject company. It also discussed the academic problem caused by the definition of procurement as a fully integrated strategic function. These two difficulties are related because practitioners have adopted the same view as academic writers and pursue goals of integration and collaboration in the struggle to define the function as strategic.

Procurement must acknowledge that it cannot be involved in all areas of expenditure at all levels of the organisation. If this continues to be the vision of what a 'strategic' function must achieve, the attempt to achieve it will continue to fail. This does not mean, however, that Procurement is incapable of adding considerable value to the organisation. The interviews demonstrated that executives wanted to follow Procurement process within the category of Tactical consultancy. In addition, the extended observation demonstrated that, within the High-Level Strategy category, such process was an important framework within

which to exercise more subjective choices. Within the Top-Level Strategic category, however, Procurement was completely excluded.

Acknowledgement of the diversity of value constructs and the reality of decision-making within organisations would allow Procurement to concentrate on those areas where it can add greatest value. If academic views of strategic procurement were similarly revised, unrealistic ambitions of full integration and collaboration would be contained. This would have lessened the scale of the problem perceived by the Procurement department described in Chapter One. Consultancy expenditure could have been segmented appropriately according to whether it was Tactical, High-Level Strategy or Top-Level Strategy and in this way use of procurement resource would have been optimised. As it was, consultancy as a category was being approached as a monolithic whole and the research demonstrates that, in reality, it is variable and should be treated as such by Procurement.

The true role of objectivity in selection decisions must also be considered in the procurement of services other than consultancy. The literature discussed in Chapter Two stressed the difficulty and risk involved in procuring a variety of professional services, largely due to their highly fluid and heterogeneous nature (Maister 1993, Hausman 2003, Mitchell *et al* 2003, Kam 2004). The result is a high degree of risk in the purchase of these services and, consequently, there is an inevitable reliance on the subjective responses of individuals to other individuals. Strategic consultancy is not the only service that relies on subjectivity in this way. Advertising for example, has similar features and may be another such area. Therefore the true contribution of a purely objective approach to the procurement of professional services must be questioned because the conclusions drawn here about consultancy may have a wider application.

Both of the methodological techniques used, interview and observation, were well suited to the research and produced deep and complex data. It was important that executives were free to respond as they wished using their own reference points and language to describe their experiences. The data therefore

reflects their version of reality and facilitated inductive generation of data. Quantitative techniques require that questions be decided in advance and it is therefore not as well suited to this type of research. Use of observational data provided a different perspective and therefore acted to triangulate the interview data.

The interview techniques used in the initial part of the research yielded data that was startling to the researcher because it was so candid. Such data was drawn out using open questioning techniques and encouraging executives to illustrate their answers using examples. Often, they would do this by 'telling stories' from previous encounters with consultants. These 'stories' were rich in detail and added great depth and texture to the data. Likewise, the extended observation used observation techniques to collect data so that executives and consultants could be observed freely interacting unrestricted by any framework.

The methodology also overcame the difficulty of access to executives. These difficulties were twofold: firstly there is shortage of time in executive schedules, and secondly, there was the difficulty of an outsider being given access to such sensitive data. The subject organisation is split across several sites spread over the south of England so use of single interviews meant that there was no travel involved for the executive. Also, a forty minute appointment was short enough for executives to manage but long enough to gather sufficient data.

The researcher's status as an insider was highly significant in gaining access that may otherwise have been denied. There was no tangible return to the executives who agreed to give interviews and it was effectively a 'favour' to the researcher. Some of the executives were known personally to the researcher, but the others were familiar with the Procurement function and wished to help because of the internal nature of the request.

The research data reflected the subjective and objectively presented distinctions in approach that were found in the literature. This data does, however, consider subjective response and it is a strength of the methodology used that access was

gained to the executives who were actually engaging consultants. The choice of methodology was pivotal to the generation of data of sufficient quality and quantity to support this study. Management consultancy is a complex service and required exploration of the subjective experiences of individuals. The choice of a subjectivist approach using ideographic methodology reflected this and was extremely effective. In this way, valuable insights were gained through first-hand accounts into executive motivation, the environmental pressures that prompted consultancy use, and the way that executives assessed value from consultancy use. In addition, the data gathered during the extended observation allowed first-hand observation of the interaction between procurement professionals and executives.

### Contributions

This research has made a number of contributions which are set out below.

Firstly, Chapter Eight developed eleven themes that emerged from the interview data around the value that executives attach to the use of consultants. Although some of these value constructs had already been identified in the literature discussed in Chapter Two, some of them were either new or provided fresh perspectives on existing literature.

Secondly, this research has provided unique insights into the procurement of management consultancy by executives. In so doing, it has highlighted the importance of subjectivity in decision-making and the marginalisation of this by the traditional academic procurement and practitioner approaches. By encouraging consideration of the role of subjectivity within the procurement decisions made by executives, a clearer picture of procurement activity within organisations may be gained.

This, in turn, encourages a reconsideration of the role of Procurement as a strategic function. Given the importance of the subjective choices of executives

in certain procurement decisions, practitioners and academics must re-calibrate their measures of success. Procurement cannot expect to apply the objective methodologies in every situation and therefore the definition of success as being complete involvement in all areas of expenditure cannot continue.

Thirdly, the use of observation as a methodology differentiates this research within Procurement literature. In addition, the observation of executives is rare. Schiele (2007) also investigates Procurement involvement in consultancy engagements in the context of the public sector but uses only interviews as a data collection method. The additional use of observation in this study provides a different perspective. Interestingly, this observation followed a similar course to the Schiele research: a standard process was followed and the executive leading the project provided extremely positive feedback on Procurement involvement. However the conclusions reached from the observation are that such process had limited benefits.

In this respect, the study is unusual because it presents procurement failure. Procurement as a function is relatively young and, as yet, lacks the confidence to criticise itself and confront the implications of such failure. This research takes an initial step in such a process.

### Limitations

The research data is limited to large corporate organisations in the service sector. It is also a one company study so, whilst revelatory and a powerful example of consultancy procurement, the findings cannot be generalised to other organisations. The insider status of the researcher is also a factor because, although this acted as a strong enabler, it is also a limitation because it prevents replication of the findings elsewhere. In a multi-case approach, such replication would have been possible. It would also enable consideration of the impact of variables such as staff turnover. Low staff turnover was cited by executives as a factor in requiring the fresh perspectives that consultants bring. It was suggested

by the researcher that this might be justification that masks other motivation. A multi-case approach would make possible comparable analysis of staff turnover as a variable.

It is also a limitation that the research is only from the client perspective. Data from the consultancy firms themselves would have further enriched the study. Similarly the observation data concentrated on the bidding process and there was little on the delivery of the services. Observation on the interaction between consultants and clients during service delivery would have added greater depth to the observation.

Manual coding was used to analyse the data. If the research was repeated, software would be used to achieve this.

### Further Research

Recommendations for further research fall into four areas which are outlined below.

Firstly, this research initially adopted a specific focus on procurement processes and their application to management consultancy. As it progressed, however, the complex nature of consultancy engagements in an organisational context became increasingly apparent. For example, the hinterland within which executives operate, the political nature of their interactions and the subjective value constructs underlying consultancy use. This was illustrated towards the end of the observation data by one senior executive's use of the power of his seniority to ensure that a favoured consultancy firm was used.

These perspectives should be used to inform further research on the procurement of management consultancy within organisations. Using approaches developed within the field of Organisational Behaviour, consideration of politics and power would give considerable further insights into the use of consultancy by



executives. In general terms, the role of political behaviour and subjective decision-making in procurement activity should be given wider consideration than it is at present because it reflects the reality of organisational complexity. This has a direct impact on the practical application of methodologies emerging from procurement research and should be accounted for more fully than it is at present.

Secondly, recent work on Evidence-Based Management (Pfeffer and Sutton 2006) should be assessed for its relevance to management consultancy procurement. The intangibility of professional services was noted in Chapter Two. Such evidence-based approaches may assist in value assessment by providing procurement practitioners with the tools to challenge both the need for consultancy engagements as well as their outcomes. As Pfeffer and Sutton observe, 'Evidence-based practice changes power dynamics, replacing formal authority, reputation, and intuition with data'. (Pfeffer and Sutton 2006 p.74). This is particularly relevant to strategic management consultancy which operates in a highly-charged political atmosphere.

Thirdly, as noted in Chapter Five, the sourcing literature draws on a rich heritage of research based in the manufacturing sector. This is not, however, balanced by a similar volume of data on either mass consumer services or professional services. Although the differences between manufactured goods and services may be increasingly blurred, there remains a distinction between the two. It would be extremely beneficial to be able to access research within the sourcing literature that is based on services, particularly professional services. This would allow for consideration of their distinctive aspects and the development of strategies to manage suppliers and indirect expenditure.

Lastly, research data from the perspective of the management consultants themselves would add another dimension to understanding the relationships between senior executives and their opposite numbers in the strategic consultancy firms.

## Recommendations

Recommendations based on the research are given below. Allowance must be made, however, for the varying priorities and motivations of the different audiences. The bias in the recommendations is towards delivery of objective value constructs at an organisational level.

### (i) Academia

As discussed above in the recommendations for further research, the sourcing literature discussed in Chapter Four should account for subjective decision-making to a greater degree than is currently the case. Existing sourcing methodologies do not anticipate the friction caused by political conflict, subjectivity and the influence of existing relationships within a hierarchical structure. This makes such methodologies difficult to implement in certain situations, such as the procurement of strategic consultancy or executive ‘coaching’. Sourcing methodologies need to account for organisational complexity to a greater extent.

Reference could be made to other bodies of work, such as the critical consulting literature discussed in Chapter Two. In addition, research on professional services, rather than manufacturing, would provide greater diversity and alternative perspectives. These may contribute to the provision of methodologies that are not only attuned to the reality of organisations, but which also allow for the differences between manufacturing and service provision to be considered and addressed.

### (ii) Procurement practitioners

The research demonstrated that existing sourcing methodologies were least effective at the strategic level where senior executives engaged with consultants on a one-to-one basis. A decision to entirely exclude such expenditure would be reasonable because practitioners should be realistic about the extent to which they can effectively influence corporate expenditure. Focussing their efforts

where existing methodologies can be most effective would deliver the greatest amount of value. Segmentation of organisational expenditure along these lines may assist in effective allocation of resource.

A challenge to strategic consultancy that encourages use of objective methodologies may be appropriate, however, in certain circumstances. Firstly, where resource is sufficient and secondly, where Procurement is represented at board level and therefore able to challenge senior executives from a position of power. Use of evidence-based approaches to value may be beneficial in reducing the significance of subjectivity in the decision-making process.

#### (iii) Management Consultants

Where consultants are working individually with senior executives, value will be defined by those individuals for the whole organisation. In this situation, the sole concern of the consultant will be to satisfy his or her client. If the engagement becomes open to scrutiny by other parties, however, that situation will change. This is particularly so if the third parties are procurement practitioners because they will always attempt to impose discipline, structure and objective value constructs on the work.

Wherever consultancy engagements are open to scrutiny, therefore, evidence of value should be documented by the consultant. It should be clear why the engagement took place, what work has been done to address the identified problem, and what value has been delivered. This is, however, good practice and should be done whatever the visibility of the engagement.

#### (iv) Senior Executives

Literature discussed in Chapter Two expanded on the way that consultants manage impressions to create the perception of value. The risk of consultants delivering little of any real substance can be mitigated by creating clarity around objectives. Evidence-based approaches may also provide a rationale for a given course of action as well as a methodology for assessing outcomes.

It is important that senior executives feel a degree of compatibility with the consultants they work alongside. Intuition and subjectivity need to be balanced, however, with objective assessments of an individual consultant's capabilities. In addition, it may not be sufficient to rely on the brand of the consultancy firm to ensure the quality of individuals. The selection of new consultants must therefore be tempered with some objective criteria until direct experience of the individual's work can be used as the basis for further engagements.

Executives can become reliant on consultants and examples of this have been documented (O'Shea and Madigan, 1997). This hazard is especially great where the working relationship is close and between just two individuals. It is important for users of consultants to remember that they are an expensive resource that should only be used where a requirement has been defined. They should then be managed appropriately for the good of the organisation.

## APPENDIX 1

### BIBLIOGRAPHY

- Abrahamson, E. (1996) 'Management Fashion' *Academy of Management Review* 21(1) pp 254-85
- Adelman, M.B., Ahuvia, A., Goodwin, C. (1994) 'Beyond Smiling. Social Support and Service Quality' in Rust, R.T. and Oliver, R.L. *Service Quality. New Directions in Theory and Practice*. London: Sage pp. 139 - 171
- Ali, F., Smith, G., Saker, J. (1997) 'Developing Buyer-Supplier Relationships in the Automobile Industry. A Study of Jaguar and Nippondenso.' *European Journal of Purchasing & Supply Management* Vol. 3 No.1 pp.33-42
- Alvesson, M (1993) 'Organisations as Rhetoric: Knowledge-Intensive Firms and the Struggle with Ambiguity' *Journal of Management Studies* 30:6 pp 997 - 1015
- Alvesson, M. and Johansson, A.W. (2002) 'Professionalism and Politics in Management Consultancy Work' in Clark, T. and Fincham, R., *Critical Consulting. New Perspectives on the Management Advice Industry*. Oxford: Oxford University Press.
- Alvesson, M. and Robertson, M. (2006) 'The Best and the Brightest: The Construction, Significance and Effects of Elite Identities in Consulting Firms' *Organisation* Vol, 13(2) pp.195 - 224
- Anderson, E. (1993) *Value in Ethics and Economics* Cambridge, Massachusetts: Harvard University Press,
- Anderson, J.C., Hakansson, H. and Johanson, J. (1994) 'Dyadic Business Relationships Within a Business Network Context' reprinted in Ford, D (ed) (1997) *Understanding Business Markets* 2<sup>nd</sup> Edition London: Dryden Press pp. 227 - 249
- Appelbaum, S., Steed, A.J. (2005) 'The Critical Success factors in the Client-Consulting Relationship' *Journal of Management Development* Vol 24 No 1 pp 68-93
- Araujo, L. and Spring, M. (2006) 'Services, products, and the institutional structure of production' *Industrial Marketing Management* 35 pp 797 - 805
- Argyris, C. (2000) *Flawed Advice and the Management Trap* Oxford: Oxford University Press.
- Armbruster, T. and Gluckler, J. (2007) 'Organisational Change and the Economics of Management Consulting: A Response to Sorge and van Witteloostuijn' *Organisation Studies* 28 (12) 1873-1885

Ashford, M. (1998) *Con Tricks: The World of Management Consultancy and How To Make It Work For You*. London: Simon & Schuster.

Audi, R. (1999) *The Cambridge Dictionary of Philosophy* Second Edition Cambridge UK: Cambridge University Press

Axelsson, B. and Wynstra, F. (2002) *Buying Business Services* Chichester: John Wiley & Sons

Backlund, J. and Werr, A. (2004) 'The Social Construction of Global Management Consulting: A Study of Consultancy Web Presentations' in Buono, A.F (ed) *Creative Consulting. Innovative Perspectives on Management Consulting* Information Age Publishing: Connecticut pp.27-50

Baily, P., Farmer D., Jessop, D., Jones, D., (1998) *Purchasing Principles & Management* eighth edition, London: Pitman Publishing.

Bender, P.S. (1990) 'Development of Optimum Logistics Strategies' in Gattorna, J.L. (ed) (1990) *The Gower Handbook of Logistics and Distribution Management* 4<sup>th</sup> Edition Aldershot: Gower Publishing p.126 - 140

Benedikt, M. (ed) (1997) *Center 10 Value Center: Architecture and Design in America*. School of Architecture, The University of Texas at Austin.

Benedikt, M. (ed) (1999) *Center 11 Value 2 Center: Architecture and Design in America*. School of Architecture, The University of Texas at Austin.

Bensaou, M. (1999) 'Portfolios of Buyer-Supplier Relationships' *Sloan Management Review* Summer pp35 - 44

Bentham, J. (1789) *The Principles of Morals and Legislation* New York Prometheus Books: New York 1988

Berry, T., Paddock, C (2007) 'Professional Networks: the Case of Consultants' BAM paper

Bevan, P. (2000) 'The Successful Use of Consultancies in Aid-Financed Public Sector Management Reform: A Consultant's Eye View of Some Things Which Matter' *Public Administration & Development* 20, 4 pp. 289-304

Bitner, M.J., Hubbert, A.R. (1994) 'Encounter Satisfaction Versus Overall Satisfaction Versus Quality. The Customer's Voice' in Rust, R.T. and Oliver, R.L. *Service Quality. New Directions in Theory and Practice*. London: Sage pp. 72 - 94

Blaug, M. (1962) *Economic Theory in Retrospect* Cambridge 1997 5<sup>th</sup> edition , Cambridge UK: Cambridge University Press.

Bloomfield, B P and Danieli, A (1995) 'The Role of Management Consultants in the Development of Information Technology: The Indissoluble Nature of Socio-Political and Technical Skills' *Journal of Management Studies* 32:1 pp 23 - 46

Bloomfield, B.P. and Vurdubakis, T. (2002) in Clark, T. and Fincham, R., *Critical Consulting. New Perspectives on the Management Advice Industry*. Oxford: Oxford University Press.

Boddy, D., Cahill, C., Charles, M., Fraser-Kraus, H. and Macbeth, D.K. (1998) 'Success and Failure in Implementing Supply Chain Partnering: An Empirical study.' *European Journal of Purchasing & Supply Management* 4 pp.143-151

Bolton, R.N. and Drew, J.H. (1994) 'Linking Customer Satisfaction to Service Operations and Outcomes' in Rust, R.T. and Oliver, R.L. *Service Quality. New Directions in Theory and Practice*. London: Sage pp. 173 - 200

Bourne, M., Neely, A., Platts, K., Mills, J. (2002) 'The Success and Failure of Performance Measurement Initiatives. Perceptions of Participating Managers.' *International Journal of Operations & Production Management* Vol. 22 No 11 pp.1288-1310

Boussebaa, M. (2007) 'The Global Organisation of Consulting Firms' BAM paper

Bowen, J. and Ford, R.C. (2002) 'Managing Service Organisations: Does Having a "Thing" Make a Difference?' *Journal of Management* 28(3) pp. 447 - 469

Bowman, C., Ambrosini, V. (2000) 'Value Creation Versus Value Capture: Towards a Coherent Definition of Value in Strategy' *British Journal of Management* Vol. 11, pp 1-15

Bretthauer, K.M. (2004) 'Service Management' *Decision Sciences* Vol 35 No 3 pp. 325-332

Bryman, A. (1988) *Quantity and Quality in Social Research* London: Routledge

Buchanan, D. and Badham, R. (1999) *Power, Politics and Organisational Change. Winning the Turf Game*. London: Sage.

Bunn, M.D. (1993) 'Taxonomy of Buying Decision Approaches' *Journal of Marketing* Vol. 57 pp 38 56

Buono, A.F. (ed) (2002) *Developing Knowledge and Value in Management Consulting* Information Age Publishing: Connecticut

Buono, A.F. (ed) (2004) *Creative Consulting. Innovative Perspectives on Management Consulting* Information Age Publishing: Connecticut

Burrell, G. and Morgan, G. (1979) *Sociological Paradigms and Organisational Analysis* Aldershot: Ashgate

Buttle, F. (1996) 'SERVQUAL: Review, Critique, Research Agenda' *European Journal of Marketing* Vol. 30 No. 1 pp.8-32

Campbell, N.G.C. (1985) An Interaction Approach to Organisational Buying Behaviour reprinted in Ford, D (ed) (1997) *Understanding Business Markets* 2<sup>nd</sup> Edition London: Dryden Press pp 385 - 399

Case, P. (1999) 'Remember Re-Engineering? The Rhetorical Appeal of a Managerial Salvation Device' *Journal of Management Studies* 36:4 pp 419 - 441

Chase, R.B. (1981) 'The Customer Contact Approach to Services: Theoretical Bases and Practical Extensions' *Operations Research* Vol 29 Issue 4

Chatterjee, K., Zdunczyk, K. (2007) 'Higher-Level Learning Capability in Consulting Organisations: A Study of Organisational and Inter-Organisational Learning Policies and Practices.' BAM paper

Chelliah, J., Davis, D. (2007) 'Linking the Psychological Contract to Success in Management Consultancy' BAM paper

Christopher, M. (1990) 'Developing Strategic and Operational Plans for Logistics' in Gattorna, J.L. (ed) (1990) *The Gower Handbook of Logistics and Distribution Management* 4<sup>th</sup> Edition Aldershot: Gower Publishing p. 43 – 61

Christopher, M. (1992) *Logistics and Supply Chain Management. Strategies for Reducing Costs and Improving Services.* London Pitman Publishing.

Christopher, M. and Juttner, U. (2000) 'Developing Strategic Partnerships in the Supply Chain: A Practitioner Perspective'. *European Journal of Purchasing & Supply Management* 6 pp. 117-127

Church, A.H., Javitch, M., Warner-Burke, W. (1995) 'Enhancing Professional Service Quality: Feedback is the Way to Go' *Managing Service Quality* Vol. 5 No. 3 pp. 29-33

Clark, T. (1995) *Managing Consultants: Consultancy as the Management of Impressions.* Milton Keynes: Open University Press.

Clark, T. and Salaman, G. (1996) 'The Management Guru as Organisational Witchdoctor' *Organisation* Volume 3(1) pp 85 - 107

Clark, T., and Salaman, G. (1998) 'Telling Tales: Management Gurus' Narratives and the Construction of Managerial Identity' *Journal of Management Studies* 35(2) pp 137-161



Clark, T. and Salaman, G. (1998) 'Creating the "Right" Impression: Towards a Dramaturgy of Management Consultancy' *The Services Industries Journal* Vol. 18, No. 1 pp.18-38

Clark, T. and Fincham, R. (2002) *Critical Consulting. New Perspectives on the Management Advice Industry*. Oxford: Oxford University Press.

Coase, R.H. (1937) "The Nature of the Firm" *Economica*, IV pp 386-405

Collins, D (2004) 'Who put the con in consultancy? Fads, recipes and "vodka margarine"' *Human Relations* Vol 57(5) 553-572

Corcoran, J and McLean, F. (1998) 'The Selection of Management Consultants. How are Governments Dealing with this Difficult Decision? An Exploratory Study.' *The International Journal of Public Sector Management* 11(1) p37

Cousins, P. (1995) 'Partnership Sourcing: A Misused Concept' in Lamming, R. and Cox, A. *Strategic Procurement Management in the 1990's: Concepts and Cases* Earlsgate Press pp. 87 - 102

Cousins, P., Swan, A.J., Buirski, AI (2002) 'Defining Value and Managing The Value Gap: A Supply Chain Management Perspective' *11<sup>th</sup> IPSERA Conference 2002 papers* pp 162-173

Cousins, P.D. (2002) 'A Conceptual Model for Managing Long-Term Inter-Organisational Relationships'. *European Journal of Purchasing & Supply Management* 8 pp 71-82

Cousins, P.D. and Crone, M.J. (2003) 'Strategic Models for the Development of Obligation Based Inter-Firm Relationships. A Study of the UK Automotive Industry' *International Journal of Operations & Production Management* Vol. 23 No. 12 pp.1447-1474

Cox, A. (1995) 'Strategic Procurement Management in the Public and Private Sectors: The Relative Benefits of Competitive and Collaborative Approaches' in Lamming, R. and Cox, A. *Strategic Procurement Management in the 1990's: Concepts and Cases* Earlsgate Press pp. 5 - 22

Cox, A (1996) "Relational Competence and Strategic Procurement Management" *European Journal of Purchasing & Supply Management* Vol 2 No 1 pp 57-70

Cox, A. (1997) *Business Success. A way of Thinking About Strategy, Critical Supply Chain Assets and Operational Best Practice*. Earlsgate Press.

Cox, A., Sanderson, J., Watson, G. (2000) *Power Regimes. Mapping the DNA of Business and Supply Chain Relationships*. Earlsgate Press

Cox, A. (2001) 'Managing with Power: Strategies for Improving Value Appropriation from Supply Relationships.' *The Journal of Supply Chain Management* Spring pp.42-47

Cox, A., Sanderson, J. and Watson, G. (2001) 'Supply Chains and Power Regimes: Toward an Analytic Framework for Managing Extended Networks of Buyer and Supplier Relationships'. *The Journal of Supply Chain Management* Spring pp 28-35

Czerniawska, F. (1999) *Management Consultancy in the 21<sup>st</sup> Century* Indiana: Ichor

Czerniawska, F. (2002) *Value-based Consulting* Basingstoke: Palgrave.

De Caluwe, L., Que, F., Vermaak, H. (2004) 'Comparing Psychotherapists' and Change Agents' Approaches to Change: Reflections on Changing People and Changing Organisations' in Buono, A.F (Ed) *Creative Consulting. Innovative Perspectives on Management Consulting* Information Age Publishing: Connecticut pp. 267 - 302

De Haan, E. (2004) 'The Consulting Process as Drama' *The Ashridge Journal* Autumn pp.32-38

Deighton, J. (1994) 'Managing Services When the Service is a Performance' in Rust, R.T. and Oliver, R.L. *Service Quality. New Directions in Theory and Practice*. London: Sage pp. 123 - 138

Denzin, N.K. and Lincoln, Y.S. (2000) (eds) *Handbook Of Qualitative Research* second Edition London: Sage

DeSarbo, W.S., Huff, L., Rolandelli, M.M., Choi, J. (1994) 'On the Measurement of Perceived Service Quality. A Conjoint Analysis Approach' in Rust, R.T. and Oliver, R.L. *Service Quality. New Directions in Theory and Practice*. London: Sage pp. 201 - 222

Dobb, M. (1973) *Theories of Value and Distribution Since Adam Smith. Ideology and Economic Theory*. Cambridge UK: Cambridge University Press.

Drakopoulos, S A (1991) *Value in Economic Theory* Aldershot: Avebury

Dwyer, F.R., Schurr, P.H., Oh, S. (1987) Developing Buyer-Supplier Relationships *Journal of Marketing* Vol. 51 (April) pp 1-27

Easterby-Smith, M., Thorpe, R., Lowe, A. (1991) *Management Research. An Introduction*. London: Sage.

Easton, G. (1992) 'Industrial Networks: A Review' in Ford, D (ed) (1997) *Understanding Business Markets* 2<sup>nd</sup> Edition London: Dryden Press p.102-128

Edvardsson, B. (1989) 'Management Consulting: Towards a Successful Relationship' *International Journal of Service Industry Management* 1,3 pp 4-19

Edvardsson, B. (1998) 'Service Quality Improvement' *Managing Service Quality* Vol. 8 No. 2 pp. 142-149

Eisenhardt, K.M. and Graebner, M.E. (2007) 'Theory Building from Cases: Opportunities and Challenges' *Academy of Management Journal* Vol. 50 No. 1 pp25-32

Ellram, L.R. (1991) 'A Managerial Guideline for the Development and Implementation of Purchasing Partnerships' *International Journal of Purchasing and Materials Management*, Summer 1991 pp 2 - 8

Ellram, L.M. and Carr, A. (1994) '*International Journal of Purchasing and Materials Management* Spring pp.10-18

Ellram, L.M. (1995) 'Partnering Pitfalls and Success Factors' *International Journal of Purchasing and Materials Management* Spring 1995pp. 36-44

Fincham, R. (1997) 'Business Process Reengineering and the Commodification of Managerial Knowledge' *Journal of Management Studies*

Fincham, R (1999a) 'Rhetorical Narratives and the Consultancy Process'. *British Academy of Management* 1999 Vol 1 pp. 707 - 719

Fincham, R (1999b) 'The Consultant-Client Relationship: Critical Perspectives on the Management of Organisational Change' *Journal of Management Studies* 36:3 pp 335 – 351.

Fitzgerald, L. and Storbeck, J.E. (2003) 'Pluralistic Views of Performance' *Management Decision* 41/8 pp.741-750

Folkes, V.S. (1994) 'How Consumers Predict Service Quality. What Do They Expect?' in Rust, R.T. and Oliver, R.L. *Service Quality. New Directions in Theory and Practice*. London: Sage pp. 108 - 122

Fontana, A. and Frey, J.H. (2000) 'The Interview: From Structured Questions to Negotiated Text' in Denzin, N.K. and Lincoln, Y.S. (2000) (eds) *Handbook Of Qualitative Research* second Edition London: Sage pp 645 - 672

Ford, D. (ed) (1997) *Understanding Business Markets* 2<sup>nd</sup> Edition London: Dryden Press

Ford, D, Lamming R., Thomas, R. (1992) Relationship Strategy, Development and Purchasing Practice *IMP Conference, Lyon*.

Ford, D. et al (1998) *Managing Business Relationships* Chichester: Wiley.

- Frow, P. (2000) 'The Meaning of Commitment in Professional Service Relationships: Issues in Relating Theory to Practice'. IMP 2000
- Fujimori, Y. (1982) *Modern Analysis of Value Theory* Berlin: Springer Verlag
- Galbraith, J. K. (1987) *A History of Economics* London: Penguin
- Gammelsaeter, H. (2002) 'Managers and Consultants as Embedded Actors: Evidence from Norway' in Kipping, M., Engwall, L. *Management Consulting. Emergence and Dynamics of a Knowledge Industry*. Oxford: Oxford University Press pp 222 - 237.
- Gibbs, J.E. (1998) Effective Relationships for Supply –Attributes and Definitions. *European Journal of Purchasing & Supply Management* 4 pp 43 – 50.
- Gibbs, J. E. (1999) *Effective Relationships For Supply and how to Achieve Them* Unpublished PhD thesis, University of Bath
- Gill, J. and Whittle, S. (1992) 'Management by Panacea: Accounting for Transience' *Journal of Management Studies* 30:2 pp 281 – 295.
- Gherity, J.A. (1965) *Economic Thought* New York
- Ghoshal, S. and Moran, P. (1996) 'Bad for Practice: a Critique of the Transaction Cost Theory' *Academy of Management Review*, v21, pp 13 – 35
- Ghoshal, S.; Bartlett, C.A.; Moran, P. (1999) 'A New Manifesto for Management' *Sloan Management Review* v40 pp 9 -
- Gluckler, J. and Armbruster, T. (2003) 'Bridging Uncertainty in Management Consulting: the Mechanisms of Trust and Networked Reputation' *Organisation Studies* February pp.269-298
- Goffman, E. (1959) *The Presentation of Self in Everyday Life* London: Penguin 1990.
- Granovetter, M. (1985) 'Economic Action and Social Structure: The Problem of Embeddedness' *American Journal of Sociology* Vol 91 No. 3 pp 481-510
- Gronroos, C. (1983) 'Innovative Marketing Strategies and Organisation Structures for Service Firms.' in Lovelock, C. H. ed (1991) *Services Marketing* 2<sup>nd</sup> edition London pp 433 – 448
- Gronroos, C. (1998) 'Marketing Services: The Case Of A Missing Product' *Journal of Business & Industrial Marketing* Vol. 13 No. 4/5 pp. 322 - 338
- Gronroos, C. (1990) 'Service Management: A Management Focus for Service Competition' *International Journal of Service Industry Management* Vol. 1 No. 1 pp. 6-14

Gronroos, C. (2001) 'The Perceived Service Quality Concept – A Mistake?' *Managing Service Quality* Vol. 11 No. 3 pp.150-152

Grove, S.J. and Fisk, R.P. (1983) 'The Dramaturgy of Services Exchange: An Analytical Framework For Services Marketing' in Lovelock, C. H. ed (1991) *Services Marketing* 2<sup>nd</sup> edition London pp 59 - 68

Gummesson, E. (1991) 'Truths and Myths in Service and Quality' *International Journal of Service Industry Management* Vol 2 No. 3 pp.7-16

Gummesson, E. (2000) *Qualitative Methods in Management Research* London: Sage 2<sup>nd</sup> Edition

Hakansson, H. and Wootz, B. (1979) 'A Framework of Industrial Buying and Selling' *Industrial Marketing Management* 8, pp 28 - 39

Hakansson, H, Snehota, I. (1989) 'No Business is an Island: The Network Concept of Business Strategy'.

Hakansson, H. and Gadde L. E. (1992) 'Supplier Relations' in Ford, D (ed) (1997) *Understanding Business Markets* 2<sup>nd</sup> Edition London pp 400 - 429

Hakansson, H. and Johanson, J. (1992) 'A Model of Industrial Networks' reprinted in Ford, D (ed) (1997) *Understanding Business Markets* 2<sup>nd</sup> Edition London: Dryden Press pp. 129 - 135

Hakansson, H. and Snehota, I. (1994) 'Analysing Business Relationships' reprinted in Ford, D (ed) (1997) *Understanding Business Markets* 2<sup>nd</sup> Edition London: Dryden Press pp. 151-175

Halinen, A. (1997) *Relationship Marketing in Professional Services. A Study of Agency-Client Dynamics in the Advertising Sector*. London: Routledge.

Hall, R., Andriani, P. (1999) 'Developing and Managing Strategic Partnerships' *European Journal of Purchasing & Supply* 5 53 - 65

Hardy, C. (1996) 'Understanding Power: Bringing about Strategic Change' *British Journal of Management* Vol 7, Special Issue S3 – S16

Harland, C.M. (1996a) 'Supply Chain Management: Relationships, Chains and Networks' *British Journal of Management* Vol 7 Special Issue S63 – S80

Harland, C.M. (1996b) 'Supply Network Strategies. The Case of Health Supplies'. *European Journal of Purchasing & Supply Management* Vol.2 No.4 pp. 183-192

Harland, C.M. (1996c) 'International Comparisons of Supply-Chain Relationships' *Logistics Information Management* Vol. 9 Number 4 pp. 35-38

Harland, C.M, Lamming, R.C. and Cousins, P.D. (1999) 'Developing the Concept of Supply Strategy' *International Journal of Operations & Production Management* Vol.19 No. 7 pp. 650-673

Harland, C. (2002) 'Purchasing Strategy Process' in Day, M. (2002) *Handbook of Purchasing Management* 3<sup>rd</sup> Edition Aldershot: Gower pp.23 - 36

Harland, C.M., Lamming, R.C., Zheng, J. and Johnsen, T.E. (2001) 'A Taxonomy of Supply Networks'. *The Journal of Supply Chain Management* Fall pp. 21-27

Harper, D. (1992) 'Small *N*'s and Community Case Studies' in Ragin and Becker *What is a Case?* Cambridge UK: Cambridge University Press pp139 - 158

Harte, H.G., Dale, B.G. (1995) 'Total Quality Management in Professional Services: an Examination. Part 1' *Managing Service Quality* Vol. 5 No. 4 pp 38-43

Harvey, D. (1959) *Explanation in Geography* London: Edward Arnold

Harvey, J. (1989) 'Operations Management in Professional Service Organisations: A Typology' *International Journal of Operations & Production Management* Vol 10 No 4 pp.5-15

Haskins, C. and Seiple, D. (ed) (1999) *Dewey Reconfigured. Essays on Deweyan Pragmatism.* New York: State University of New York Press.

Hausman, A.V. (2003) 'Professional service relationships: a multi-context study of factors impacting satisfaction, re-patronisation, and recommendations' *Journal of Services Marketing* Vol. 17 No. 3 pp.226-242

Haywood-Farmer J. and Nollet, J. (1991) 'Services Plus: Effective Service Management' Morin, Boucherville, Quebec

Haywood-Farmer, J. and Nollet, J. (1993) 'Professional Service Firms and Total Quality Management: A Good Fit?' *International Journal of Service Industry Management* Vol. 5 No.3 pp.5-13

Heilbrunner, R. (1953) *The Worldly Philosophers. The Lives, Times and Ideas of the Great Economic Thinkers.* 7<sup>th</sup> edition. London: Penguin.

Heller, F. (2002) 'What Next? More Critique of Consultants, Gurus and Managers' in Clark, T. and Fincham, R., *Critical Consulting. New Perspectives on the Management Advice Industry.* Oxford: Oxford University Press pp260 - 272

Hellgren, B., Lowstedt, J., Tienari, J., Vaara, E., Werr, A. (2004) 'Management Consultants as Agents of Homogenisation: Consulting Roles and Processes in

Corporate Mergers and Acquisitions' in Buono, A.F (ed) *Creative Consulting. Innovative Perspectives on Management Consulting* Information Age Publishing: Connecticut pp. 99-122

Hines, P. (1994) *Creating World Class Suppliers. Unlocking Mutual Competitive Advantage*. London: Pitman

Hines, P. (1995a) 'Network Sourcing: The Concept Explained' in Lamming, R. and Cox, A. *Strategic Procurement Management in the 1990's: Concepts and Cases* Earlsgate Press pp.131 - 166

Hines, P. (1995b) 'Network Sourcing: A Hybrid Approach'. *International Journal of Purchasing and Materials Management* Spring pp.18-24

Hines, P. (1997) 'A Comparative Typology of Inter-Company Networking' in Cox, A. and Hines, P. *Advanced Supply Management. The Best Practice Debate*. Earlsgate Press. pp137 - 182

Holbrook, M.B. (1994) 'The Nature of Customer Value: An Axiology of Services in the Consumption Experience' in Rust, R.T. and Oliver, R.L. *Service Quality. New Directions in Theory and Practice*. London: Sage pp. 21 - 71

Hollis, M. (1994) *The Philosophy of Social science. An Introduction*. Cambridge: Cambridge University Press.

Huczynski, A. (1993) *Management Gurus: What Makes Them and How To Become One*. London: International Thomson Business Press.

Hultman, J. and Axelsson, B. (2004) 'Towards a Typology of Transparency for Purchasing and Supply Chain Research' IPSERA Conference 2004 w425 -434

Hyun, J. (1994) 'Buyer-Supplier Relations in the European Automobile Component Industry' *Long Range Planning* Vol 27 No.2 pp. 66-75

Jackson, B.G. (1996) 'Re-Engineering The Sense of Self: The Manager and the Management Guru'. *Journal of Management Studies* 33(5) pp 571-89

Jackson, B.G. (2001) *Management Gurus and Management Fashions* London: Routledge.

Janesick, V.J. (2000) 'The Choreography of Qualitative Research Design: Minuets, Improvisations, and Crystallisation' in Denzin, N.K. and Lincoln, Y.S. (2000) (eds) *Handbook Of Qualitative Research* second Edition London: Sage pp 379 – 400)

Jevons, W.S. (1866) 'A Brief Account of a General Mathematical Theory of Political Economy' in Gherity, J.A. (1965) *Economic Thought* New York.

Johnson, M.L. (1999) 'Metaphors of Value' in Benedikt, M. (ed) (1999) *Center 11 Value 2 Center: Architecture and Design in America*. School of Architecture, The University of Texas at Austin.

Johnson, P. and Duberley, J (2000) *Understanding Management Research* London: Sage.

Johnston, R. (1994) 'The Zone of Tolerance. Exploring the Relationship Between Service Transactions and Satisfaction with the Overall Service.' *International Journal of Service Industry Management* Vol. 6 No. 2 pp. 46 - 61

Johnston, R. and Clark, G. (2001) *Service Operations Management* Harlow: Prentice Hall.

Johnston, J. (1963) 'The Productivity of Management Consultants' *Journal of the Royal Statistical Society Series A (General)* Vol 126 No 2 237-249

Jordan, K., Meredith, M., Lonsdale, C. (1997) 'Assessing Contractual Risks and Managing Supplier Relationships: The Case of the Department for Education and Employment' in Cox, A. and Hines, P. *Advanced Supply Management. The Best Practice Debate*. Earlsgate Press pp. 231 - 254

Kaarst-Brown, M.L. (1999) 'Five Symbolic Roles of the External Consultant. Integrating Change, Power and Symbolism' *Journal of Organisational Change Management* Vol 12 No. 6 pp. 540-561

Kam, J. (2004) 'Selling Professionalism?: Image Making in the Management Consulting Industry' in Buono, A.F (ed) *Creative Consulting. Innovative Perspectives on Management Consulting* Information Age Publishing: Connecticut pp. 51-72

Karantinou, K.M. and Hogg, M. (2001) 'Exploring Relationship Management in Professional Services: A Study of Management Consultancy'. *Journal of Marketing Management* 17, pp 263 - 286

Karreman, D., Rylander, A. (2008) 'Managing Meaning through Branding – the Case of a Consulting Firm' *Organisation Studies* 29(01) pp. 103-125

Kelley, R.E (1979) 'Should You Have An Internal Consultant?' *Harvard Business Review* vol 57 pp 110 – 120.

Kennerley, M., Neely, A. (2003) 'Measuring Performance in a Changing Business Environment' *International Journal of Operations & Production Management* Vol. 23 No.2 pp. 213-229

Kieser, A. (1997) 'Rhetoric and Myth in Management Fashion' *Organisation* Volume 4(1): pp 49 – 74.



- Kieser, A (2002) 'Managers as Marionettes? Using Fashion Theories to Explain The Success Of Consultancies' in Kipping, M., Engwall, L. (2002) *Management Consulting. Emergence and Dynamics of a Knowledge Industry*. Oxford: Oxford University Press pp 167-183
- Kipping, M. (1999) 'American Management Consulting Companies in Western Europe, 1920 to 1990: Products, Reputation and Relationships' *The Business History Review* Vol 73 No 2 190-220
- Kipping, M., Engwall, L. (2002) *Management Consulting. Emergence and Dynamics of a Knowledge Industry*. Oxford University Press, Oxford.
- Kipping M. and Armsbruster, T. (2002) 'The Burden of Otherness: Limits of Consultancy Interventions in Historical Case Studies' in Kipping, M., Engwall, L. (2002) *Management Consulting. Emergence and Dynamics of a Knowledge Industry*. Oxford: Oxford University Press pp 203 - 221.
- Kraljic, P. (1983) 'Purchasing Must Become Supply Management' *Harvard Business Review* September – October pp.109 - 117
- Krause, D.R. and Ellram, L.M. (1997) 'Critical Elements of Supplier Development. The Buying-Firm Perspective'. *European Journal of Purchasing & Supply Management* Vol. 3 No. 1 pp. 21-31
- Krause, D.R. (1997) 'Supplier Development. Current Practices and Outcomes'. *International Journal of Purchasing and Materials Management* Spring pp 12-19
- Krause, D.R. and Scannell, T.V. (2002) 'Supplier Development Practices: Product-and Service-Based Industry Comparisons'. *The Journal of Supply Chain Management* Spring pp. 13-21
- Kuhn, T.S. (1962) *The Structure of Scientific Revolutions* Third Edition London and Chicago: University of Chicago Press
- Kumar, N. (1996) 'The Power of Trust in Manufacturer-Retailer Relationships' *Harvard Business Review* November-December pp 92-106
- Lamming, R., Ford, D., Thomas, R. (1992) 'Relationship Strategy, Development and Purchasing Strategy'. IMP Conference, Lyon
- Lamming, R. (1993) *Beyond Partnership. Strategies for Innovation and Lean Supply* London: Prentice Hall.
- Lamming, R., Bessant, J., Levy, P., Sang, B. (1994) 'Managing Successful Total Quality Relationships in the Supply Chain' *European Journal of Purchasing and Supply Management* 1(1) 7-17
- Lamming, R. and Cox, A. (1995) *Strategic Procurement Management in the 1990's: Concepts and Cases* Earlsgate Press

Lamming, R. (1995) 'The Future of Purchasing Developing Lean Supply' in Lamming, R. and Cox, A. *Strategic Procurement Management in the 1990's: Concepts and Cases* Earlsgate Press pp. 35 - 54

Lamming, R., Cousins, P., Notman, D M. (1996) Beyond Vendor Assessment Partnerships *European Journal of Purchasing & Supply Management* Vol 2 No. 4 pp 173 - 181

Lamming, R.C., Caldwell, N.D., Harrison, D.A. and Phillips, W. (2001) 'Transparency in Supply Relationships: Concept and Practice'. *The Journal of Supply Chain Management* Fall pp.4-10

Lamming, R., Caldwell, N., Phillips, W. (2001 a) 'A Conceptual Model of Value Transparency in Supply' *EurOMA* vol 1 pp 451-

Lamming, R., Caldwell, N.D., Harrison, D.A., Phillips, W. (2001b) 'Transparency in Supply Relationships: Concept and Practice' *The Journal of Supply Chain Management* Fall 2001 pp.4-10

Lapierre, J. (1997) 'What Does Value Mean in Business-to-Business Professional Services?' *International Journal of Service Industry Management* Vol 8 No 5 1997 pp 377 - 397

Lewis, H. (2004) *Consultants and Advisors: A Best Practice Guide to Choosing, Using and Getting Good Value* Kogan Page.

Lincoln, Y.S. and Guba, E.G. (2000) 'Paradigmatic Controversies, Contradictions, and Emerging Confluencies' in Denzin, N.K. and Lincoln, Y.S. (2000) (eds) *Handbook Of Qualitative Research* second Edition London: Sage pp 163 - 188

Locke, K. (2001) *Grounded Theory in Management Research* London: Sage.

Lovelock, C. and Gummesson, E. (2004) 'Whither Services Marketing?: In search of a New Paradigm and Fresh Perspectives' *Journal of Service Research* Volume 7 No 1 pp. 20 - 41

Lundberg, C. and Young, C.A. (2001) 'A Note on Emotions and Consultancy' *Journal of Organisational Change Management* Vol 14 No 6 530-538

Lundberg, C. (2004) 'Toward an Emotion Nuanced Sensemaking Perspective of Organisational Consultation: Consulting as Frame Sharing and Frame Changing' in Buono, A.F (ed) *Creative Consulting. Innovative Perspectives on Management Consulting* Information Age Publishing: Connecticut pp.245-266

Lusch, R.F. and Vargo, S.L. (2006) 'Service-dominant logic: reactions, reflections and refinements' *Marketing Theory* Volume 6(3) pp. 281 - 288

Luthans, F. and Davis, T.R.V. (1982) 'An Idiographic Approach to Organisational Behavior Research: The Use of Single Case Experimental Designs and Direct Measures' *Academy of Management Review* Vol. 7 No. 3 pp. 380 - 391

Macbeth, D.K. (1994) 'The Role of Purchasing in a Partnering Relationship' *European Journal of Purchasing and Supply Management* 1(1) pp.19-25

Macbeth, D.K. (2002a) 'Emergent Strategy in Managing Cooperative Supply Chain Change'. *International Journal of Operations & Production Management* Vol. 22 No. 7 pp.728-740

Macbeth, D.K. (2002b) 'Managing a Portfolio of Supplier Relationships' in Day, M. (2002) *Handbook of Purchasing Management* 3<sup>rd</sup> Edition Aldershot: Gower pp.51 - 62

Maister, D. H. (1993) *Managing the Professional Service Firm* 1997 edition New York: Free Press.

Maister, D. H. (2000) *The Trusted Advisor* New York: Free Press.

Mangham, I.L. (1990) 'Managing as Performing Art' *British Journal of Management* Volume 1 pp 105-115

Markham, C. (1987) *Practical Management Consultancy* Third Edition 1997 Milton Keynes

Marshall, A. (1890) *Principles of Economics* New York: Prometheus Books 1997

Martin, C.R.; Horne, D.A., Chan, W.S. (2001) 'A Perspective on Client Productivity in Business-to-Business Consulting Services' *International Journal of Service Industry Management* Vol.12 No. 2 pp.137 - 157

Marx, K. (1867) *Capital Volume 1* 1990 edition Penguin.

McGivern, C. (1983) 'Some Facets of the Relationship Between Consultants and Clients in Organisations' *Journal of Management Studies* 20, 3, pp.367-386

McGiven, C.K. Fineman, S. (1983) 'Research and Consultancy: Towards A Conceptual Synthesis' *Journal of Management Studies* 20, 4, pp.426-439

Meek, R. L. (1997) *Smith, Marx & After* London: Chapman & Hall

Meek, R. L. (1956) *Studies in the Labour Theory of Value* 2<sup>nd</sup> Edition 1973 London

Merilainen, S., Tienari, J., Thomas, R., Davies, A. (2004) 'Management Consultant Talk: A Cross-Cultural Comparison of Normalising Discourse and Resistance' *Organisation* Vol 11(4) 539-564

Micklethwait, J., Wooldridge, A. (1996) *The Witch Doctors. What the Management Gurus are saying, Why it Matters, and How to Make Sense of it.* London: Heinemann,

Miles, M.B. and Huberman, A.M. (1994) *Qualitative Data Analysis* Second Edition London: Sage.

Mintzberg, H. (1975) 'The Manager's Job: Folklore and Fact'. *Harvard Business Review* July – August pp 49-61

Mirowski, P. (1999) 'Ratio ex Machina: Value in Economics' in Benedikt, (1999), *Center 11 Value 2 Center: Architecture and Design in America.* School Of Architecture, University Of Texas at Austin pp 17 – 31.

Mitchell, V.M. (1994) 'Problems and Risks in the Purchasing of Consultancy Services' *The Service Industries Journal* Vol. 14 No. 3 pp. 315-339

Mitchell, V.M., Moutinho, L., Lewis, B.R. (2003) 'Risk Reduction in Purchasing Organisational Professional Services' *The Service Industries Journal* Vol. 23 No. 5 pp. 1-19

Mudambi, R. and Helper, S. (1998) 'The "Closer but Adversarial" Model of Supplier Relations in the US Auto Industry'. *Strategic Management Journal* Vol. 19, issue 8 pp775-792

Neely, A. (1999) 'The Performance Measurement Revolution: Why Now and What Next?' *International Journal of Operations & Production Management* Vol 19 No 2 pp.205-228

Neely, A., Mills, J., Platts, K., Richards, H., Gregory, M., Bourne, M., Kennerley, M. (2000) 'Performance measurement system design: developing and testing a process-based approach' *International Journal of Operations & Production Management* Vol. 20 No. 10 pp. 1119-1145

Nellore, R. and Soderquist, K. (2000) 'Portfolio Approaches to Procurement' *Long Range Planning* Vol. 33, No.2, pp.245-268

Neumann, J.E. (2003) *Organisational Change with Integrity* British Academy of Management Annual Conference, Harrogate 15 – 17 September 2003

Nickols, F. and Bergholz, H. (2004) 'The Goals Grid' *Consulting To Management* Vol. 15 No. 4 pp. 35-37

Nicolai, A.T. and Robken, H. (2005) 'Scientification, immune responses, and reflection. The changing relationship between management studies and

consulting' *Journal of Organisational Change Management* Vol 18 No 5 416-434

Nippa, M. and Petzold, K. (2002) 'Functions and Roles of Management Consulting Firms' in Buono, A.F. (ed) *Developing Knowledge and Value in Management Consulting* Information Age Publishing: Connecticut

Nishiguchi, T. (1994) *Strategic Industrial Sourcing* Oxford: Oxford University Press.

Normann, R. (2000) *Service Management. Strategy and Leadership in Service Business*. 3<sup>rd</sup> Edition Chichester: Wiley.

Normann, R., Ramirez, R. (1993) From Value Chain to Value Constellation: Designing Interactive Strategy. *Harvard Business Review* July/August 1993 pp 65-

Ojasalo, J. (2001) 'Managing Customer Expectations in Professional Services' *Managing Service Quality* Vol. 11 No. 3 pp 200-212

O'Shea, J and Madigan, C. (1997) *Dangerous Company. The Consulting Powerhouses and the Businesses They Save and Ruin*. London: Nicholas Brealey.

Peach, T. (1993) *Interpreting Ricardo* Cambridge, UK: Cambridge University Press.

Pettigrew, A. (1975) 'The Industrial Purchasing Decision as a Political Process' *European Journal of Marketing* 9, 1 pp.4 - 19

Pettigrew, A., Ferlie, E., McKee, L. (1992) *Shaping Strategic Change* London: Sage.

Pettigrew, A., Thomas, H., Whittington, R. (eds) (2002) *Handbook of Strategy and Management* London: Sage.

Pfeffer, J. and Sutton, R.I. (2006) 'Evidence-Based Management' *Harvard Business Review* January 2006 pp 63 - 74

Pinault, L. (2000) *Consulting Demons. Inside the Unscrupulous World of Global Corporate Consulting* Chichester: Wiley.

Porac, J.F., Thomas, H. (2002) 'Managing Cognition and Strategy: Issues, Trends and Future Directions' in Pettigrew, A., Thomas, H., Whittington, R. (eds) *Handbook of Strategy and Management* London: Sage pp. 165 - 181

Porter, M E (1980) *Competitive Strategy. Techniques for Analysing Industries and Competitors* New York: Free Press

- Porter, M E (1985) *Competitive Advantage* New York: Free Press.
- Potter, G. (2000) *The Philosophy of Social Science. New Perspectives*. Harlow: Prentice Hall.
- Poulsen, F., Payne, A. (1994) 'Management Consultants: Client and Consultant Perspectives' *Scandinavian Journal of Management* Vol. 10, No. 4 pp 421-436
- Ragin, C.C. and Becker, H.S. (1992) *What is a Case?* Cambridge UK: Cambridge University Press
- Ramsay, J. (1996) 'Power Measurement' *European Journal of Purchasing & Supply Management* Vol 2 No. 2/3 pp 129 - 143
- Ramsay, J. (2004) 'Supplier Value: An Undiscovered Dimension of Value in Business-to-Business Trade' IPSERA Conference 2004 C-253-266
- Ranaweera, C., Neely, A. (2003) 'Some Moderating Effects on the Service Quality-Customer retention Link' *International Journal of Operations & Production Management* Vol 23 No. 2 pp.230-248
- Reason, P. (2003) 'Action Research and the Single Case. A response to Bjorn Gustavsen and Davydd Greenwood' *Concepts and Transformation* 8:3 pp. 281 - 294
- Reck and Long (1988) 'Purchasing: A Competitive Weapon' *Journal of Purchasing and Materials Management* (24) 3: 2-8
- Reve, T. (1990) "The Firm as a Nexus of Internal and External Contracts" in Aoki, M *et al* (eds) *The Firm as a Nexus of Treaties* London: Sage p133-158
- Ricardo, D. (1817) *Principles of Political Economy and Taxation* New York: Prometheus Books 1996.
- Rich, N. and Hines, P. (1997) 'Supply-Chain Management and Time-Based Competition: The Role of the Supplier Association' *International Journal of Physical Distribution & Logistics Management* Vol. 27 No.3/4 pp 210-225
- Roll, E. (1946) *A History of Economic Thought* London: Faber 1973
- Rorty, R. (1982) *Consequences of Pragmatism*. Minneapolis: University of Minnesota Press.
- Rorty, R. (1999) *Philosophy and Social Hope*. London: Penguin Books
- Rorty, R. (1989) *Contingency, Irony and Solidarity*. Cambridge, Massachusetts: Cambridge University Press.

- Roth, A. V. and Menor, L. J. (2003) 'Insights into Service Operations Management: A Research Agenda' *Production and Operations Management* Volume 12 (2) pp. 141 – 144
- Roth, A. V. and Menor, L. J. (2003) 'Designing and Managing Service Operations: Introduction to the Special Issue' *Production and Operations Management* Volume 12 (2) pp. 145 – 164
- Rust, R.T. and Oliver, R.L. (1994) *Service Quality. New Directions in Theory and Practice*. London: Sage.
- Rutherford, M (1995) The Old and New Institutionalism: Can Bridges be Built? *Journal of Economic Issues* v29 n2 pp 443 -
- Sabjany, L. (2005) 'Client vs. Consultant: Organisational Games' *The Ashridge Journal* Spring pp. 34-39
- Saint Martin, D (2005) 'Management Consultancy' in Ferlie, E, Lynn, LE, Pollitt, C (eds) (2005) *The Oxford Handbook of Public Management* pp 671-694
- Sako, M. (1992) *Prices, Quality & Trust*, Cambridge UK: Cambridge University Press.
- Sako, M. (1999) The Essence of Success in Supplier Development *JAMA Forum* Vol. 17 No.2 pp
- Sako, M., Lamming, R., Helper, S R. (1994) Supplier Relations in the UK Car Industry: Good News – Bad News Partnerships *European Journal of Purchasing & Supply Management* Vol 1 No. 4 pp 237 - 248
- Schiele, J.J. (2005) 'Meaningful Involvement of Municipal Purchasing Departments in the Procurement of Consulting Services: Case Studies from Ontario, Canada.' *Journal of Purchasing & Supply Management* 11 14-27
- Schiele, J.J. and McCue, C.P. (2006) 'Professional Service Acquisition in Public Sector Procurement. A Conceptual Model of Meaningful Involvement. *International Journal of Operations & Production Management* Vol. 26 No. 3 pp. 300 - 325
- Schiele, J.J. (2007) 'The role of public purchasing departments in acquisition processes for consulting services' *International Journal of Procurement Management* Vol. 1 Nos 1/2 pp. 144-165
- Schmenner, R.W., Vollmann, T.E. (1994) 'Performance Measures: Gaps, False Alarms and the "Usual Suspects"' *International Journal of Operations & Production Management* Vol. 14 No. 12 pp. 58-69
- Schumpeter, J.A. (1954) *History of Economic Analysis* 12<sup>th</sup> Impression, London: Routledge.

Schwarz, M. (2003) *How Do External Consultants Contribute to a Firm's Strategic Review Process?* British Academy of Management Annual Conference, Harrogate 15 – 17 September 2003.

Screpanti, E. and Zamagni, S. (1993) *An Outline of the History of Economic Thought* Oxford: Clarendon Press.

Shapiro, E (1996) *Fad Surfing in the Boardroom. Reclaiming the Courage to Manage in the Age of Instant Answers.* Oxford: Capstone.

Shemwell, D.J.; Cronin, J.J. and Bullard, W.R. (1994) 'Relational Exchange in Services: An Empirical Investigation of Ongoing Customer Service-provider Relationships' *International Journal of Service Industry Management* Vol. 5 No. 3 pp.57 - 68

Siggelkow, N. (2007) 'Persuasion with Case Studies' *Academy of Management Journal* Vol. 50 No. 1 pp 20-24

Silverman, D. (2000) 'Analysing Talk and Text' in Denzin, N.K. and Lincoln, Y.S. (2000) (eds) *Handbook Of Qualitative Research* second Edition London: Sage pp 821 - 834

Silverman, D. (2001) *Interpreting Qualitative Data. Methods for Analysing Talk, Text and Interaction.* London: Sage 2<sup>nd</sup> Edition.

Silvestro, R., Fitzgerald, L., Johnston, R., Voss, C. (1992) 'Towards a Classification of Service Processes' *International Journal of Service Industry Management* Vol. 3 No. 3 pp.62-75

Silvestro, R., Johnston, R., Fitzgerald, L., Voss, C. (1990) 'Quality Measurement in Service Industries' *International Journal of Service Industry Management* Vol. 1 No. 2 pp. 54-66

Silvestro, R. (1999) 'Positioning Services Along the Volume-Variety Diagonal. The Contingencies of Service Design, Control and Improvement.' *International Journal of Operations & Production Management* Vol. 19 No. 4 pp. 399-420

Simon, H.A. (1955) "A Behavioural Model of Rational Choice" *Quarterly Journal of Economics* 69 99-118. Reprinted in Simon, H.A. (1982) *Behavioural Economics and Business Organisation* vol 2 London: Massachusetts Institute of Technology Press

Simon, H (1992) *Economics, Bounded Rationality and the Cognitive Revolution* Aldershot: Edward Elgar Publishing

Smith, A. (1776) *An Inquiry into the Nature and Causes of the Wealth of Nations* Everyman edition.



- Smith, M.J. (1998) *Social Science in Question* London: Sage.
- Smytko, D.L. and Clemens, M.W. (1993) 'Total Cost Supplier Selection Model: A Case Study'. *International Journal of Purchasing and Materials Management* Winter pp. 42-49
- Sorge, A and Van Witteloostuijn, A (2004) 'The (Non)Sense of Organisational Change: An Essay about Universal Management Hypes, Sick Consultancy Metaphors, and Healthy Organisational Theories' *Organisational Studies* 25: 1205-1231
- Soriano, D.R. (2001) 'Quality in the Consulting Service – Evaluation and Impact: A Survey in Spanish Firms' *Managing Service Quality* Vol. 11 No 1 pp. 40-48
- Soriano, D.R. (2003) 'The Impact of Consulting Service on Spanish Firms' *Journal of Small Business Management* 41(3) pp. 409-416
- Soriano, D.R. (2004) 'External Consultants in Organisations: Evaluating the Spanish Case' *The Service Industries Journal* Vol. 24 No. 2 pp. 34 - 50
- Spekman, R.E., Kamauff, J., Spear, J. (1999) 'Towards More Effective Sourcing and Supplier Management' *European Journal of Purchasing & Supply Management* 5 pp103 - 116
- Spring, M. and Thurston, P. (2004) 'Managing the Use of Management Consultants: A Services Procurement Perspective' IPSE Conference 2004 pp. 687 - 694
- Stake, R.E. (1995) *The Art of Case Study Research* London: Sage
- Stake, R.E. (2000) 'Case Studies' in Denzin, N.K. and Lincoln, Y.S. (eds) *Handbook Of Qualitative Research* second Edition London: Sage p.435 - 486
- Steenkamp, J.B.E.M. and Hoffman, D.L. (1994) 'Price and Advertising as Market Signals for Service Quality' in Rust, R.T. and Oliver, R.L. *Service Quality. New Directions in Theory and Practice*. London: Sage pp. 95 - 107
- Storbacka, K.; Strandvil, T., Gronroos, C. (1994) 'Managing Customer Relationships for Profit: The Dynamics of Relationship Quality' *International Journal of Service Industry Management* Vol 5 No. 5 pp. 21-38
- Strauss, B, Weinlich, B. (1997) 'Process-Oriented Measurement of Service Quality. Applying the Sequential Incident Technique' *European Journal of Marketing* Vol. 31 No. 1 pp 33-55
- Stuart, F.I and McCutcheon, D. (1995) 'Problem Sources in Establishing Strategic Supplier Alliances' *International Journal of Purchasing and Materials Management* Winter, pp.3-9

Stuart, F.I., McCutcheon, D. (1996) *International Journal of Operations & Production Management* Vol. 16 No. 10 pp. 5-22

Stuart, F.I. (1997) 'Supplier Alliance Success and Failure: a Longitudinal Dyadic Perspective' *International Journal of Operations & Production Management* Vol.17 No.6 pp. 539-557

Stumpf, S.A.; Longman, R.A. (2000) 'The Ultimate Consultant: Building Long-Term, Exceptional Value Client Relationships' *Career Development International* 5/3 pp.124-134

Sturdy, A. (1997) 'The Consultancy Process – An Insecure Business?' *Journal Of Management Studies* 34:3 pp 389 - 413

Symon, G. and Cassell, C. (eds) (1998) *Qualitative Methods and Analysis in Organisational Research. A Practical Guide*. London: Sage.

Tapscott, D (1999) *Creating Value in the Network Economy* Harvard: HBS Press.

Teece, D.J.; Pisano, G.; Shuen, A. (1997) 'Dynamic Capabilities and Strategic Management' *Strategic Management Journal* Vol 18 pp 509-533

Toppin, G. and Czerniawska, F. (2005) *Business Consulting. A Guide to How it Works and How to Make it Work*. Profile Books: London

Treacy, M. and Wiersema, F. (1993) 'Customer Intimacy and other Value Disciplines' *Harvard Business Review* Jan – Feb 1993 pp 84 - 93

Van Weele, A.J. (2000) *Purchasing and Supply Chain Management. Analysis, Planning and Practice*. Second Edition. Business Press Thomson Learning

Vargo, S.L. and Lusch, R.F. (2004) 'The Four Service Marketing Myths' *Journal of Service Research* Volume 6 No 4 pp. 324 - 335

Wagner, B.A., Macbeth, D.K. and Boddy, D. (2002) 'Improving Supply Chain Relations: An Empirical Case Study' *Supply Chain Management: An International Journal* Vol. 7 No. 4 pp. 253-264

Walras, L. (1874) *Elements of Pure Economics* translated by William Jaffe, published London 1954

Warren, J.R. (2004) 'Predicting and Enhancing Client Success' in Buono, A.F (ed) *Creative Consulting. Innovative Perspectives on Management Consulting* Information Age Publishing: Connecticut pp. 345-372

Wemmerlov, U. (1990) 'A Taxonomy for Service Processes and its Implications for System Design' *International Journal of Service Industry Management* Vol. 1 No. 3 pp. 20 – 40.

Werr, A. (2002) 'The Internal Creation of Consulting Knowledge: A Question of Structuring Experience' in Kipping, M., Engwall, L. (2002) *Management Consulting. Emergence and Dynamics of a Knowledge Industry*. Oxford: Oxford University Press pp. 91 - 108.

Werr, A and Linnarsson, H. (2002) 'Management Consulting for Client Learning?: Client's Perceptions of Learning in Management Consulting' in Buono, A.F. (ed) *Developing Knowledge and Value in Management Consulting* Information Age Publishing: Connecticut

Wikstrom, S., Normann, R. (1994) *Knowledge and Value. A New Perspective on Corporate Transformation* London: Routledge.

Wilkinson, I. F. and Young, L. C. (1994) Business Dancing – The Nature and Role of Interfirm Relations in Business Strategy in Ford, D (ed) (1997) *Understanding Business Relationships* 2<sup>nd</sup> Edition London p.82 - 97

Williamson, O.E. (1975) *Markets and Hierarchies* The Free Press: New York.

Williamson, O.E. (1996) *The Mechanisms of Governance* Oxford: Oxford University Press.

Wood, P. (1996) 'Business Services, the Management of Change and Regional Development in the UK: A Corporate Client Perspective' *Transactions of the Institute of British Geographers* New Series vol 21 No 4 649-665

Wynstra, F., Johnsen, T., Zheng, J., Harland, C., Lamming, R. (2000) 'Networking Activities in Supply Networks' *Journal of Strategic Marketing* 8:161 - 181

Yin, R. K. (1994) *Case Study Research. Design and Methods*. London: Sage.

Zeithaml, V., Parasuraman, A., Berry, L. (1990) *Delivering Quality Service. Balancing Customer Perceptions and Expectations*. New York: Free Press.

Zeithaml, V. (1981) 'How Consumer Evaluation Processes Differ Between Goods and Services' in Lovelock, C. H. ed (1991) *Services Marketing* 2<sup>nd</sup> edition London pp 39–47.

Zeithaml, V., Parasuraman, A., Berry, L (1988) 'Communication and Control Processes in the Delivery of Service Quality' in Lovelock, C. H. ed (1991) *Services Marketing* 2<sup>nd</sup> edition London pp 406-423